

Plumbing pipe's potential deadlocks on standards

A TRANS-Tasman bureaucratic wrangle is threatening the export potential of one of the country's most successful recent product developments.

At the centre of the battle is a local company manufacturing a new and revolutionary plumbing system which can save the average home-owner substantial plumbing costs.

The product is the Qest-Dux plumbing system which uses a new generation flexible plastic,

polybutylene, for its pipes with fittings made from rigid Celcon acetal incorporating patented "Quickie Magic Seal" joints.

Manufactured by Dux Engineers Ltd at Lower Hutt and distributed throughout the country by Plumbers Ltd, also of Lower Hutt, the Qest-Dux plumbing system has proven an immense success on the local market.

The local companies have been granted exclusive rights to manufacture and distribute the

product throughout the South Pacific and South-east Asia by its American developers, Qest International.

Response to the product from the local plumbing trade and new home owners has been "outstandingly good", according to Plumbers Ltd general manager Keith Baker, whose company has been a leader in the introduction of plastics into the local plumbing industry.

The local market has been quick to acknowledge the distinctive features of the new

product which can carry both hot and cold potable water under pressure. Traditional systems rely on either copper or PVC for cold water and copper pipe for hot water.

Part of the savings for the home-owner come from the cost of materials. It also takes less time to install than traditional materials. A plumber needs no special tools for the work and joints do not need welding, hemp, sealants or solvents.

Baker said Plumbers Ltd had

been extremely optimistic about the export potential of the New Zealand-made product. Negotiations had been underway to tap large Australian and South-east Asian markets.

Particular interest had come from the South Australian Housing Commission and the Commonwealth Housing Commission. Both saw real potential for widespread use of Qest-Dux plumbing systems in Australian State housing.

Trial installations in Queensland, New South

Wales, Victoria and South Australian homes had generated considerable interest, Baker said. Qest-Dux came through Australian quality tests "with flying colours". Only favourable comments had been forthcoming from the Australian plumbing industry and water authorities.

But there appears to be a deadlock between the Australian and New Zealand Standards Associations which threatens plumbing trade between the two countries.

Australia and New Zealand do not have a ratified set of standards governing the specifications and use of polybutylene piping.

The Australian Standards Association insists on "hard metric" specifications but New Zealand Standards Association prefers "soft metric".

A hard metric measurement is one in pure metric while soft metric measurements use older Imperial sizes as the base for conversion.

At a recent meeting, the Australian and New Zealand Standards Associations agreed that it was desirable to produce joint standards where possible.

The question of the polybutylene standard has been a first stumbling block since the meeting.

"Both associations were in a substantial agreement on all aspects of the polybutylene standards except those relating to the outside diameter of the pipes themselves," said Baker.

"It seems ridiculous to us that all Pacific Basin countries should have accepted the soft metric specifications except Australia," he said.

"It is surely in the best interests of all Pacific Basin nations to standardise. Any country being the odd-one out will stand to seriously jeopardise the export potential of its own products."

If the Australian Standards Association refused to change its stand, Baker said, New Zealand polybutylene manufacturers would have to make a difficult choice — either face a massive re-tooling operation to produce an alternative product suitable to the Australian market, or write off Australia as a market altogether.

"What makes it even more ridiculous," he said, "is the fact that our polybutylene pipes are completely compatible with Australian copper piping. If we were to go hard metric, they would not be."

"At the moment we're facing an impasse situation. It's vital for all future trans-Tasman plumbing product trade that standards be uniform. If they are not, we'll all face a major hurdle to export growth."

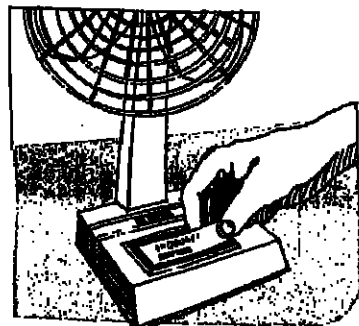
THE OFFICE
OF THE
FUTURE

has a key

IBM

WORD PROCESSING
Unleashing the future
gently

the modern, cost-saving solution to a thousand and one production assembly problems



Hot melts are the new generation adhesives for efficient fastening in a multitude of assembly situations.

As an alternative to mechanical fasteners (staples, tacks, rivets, screws, etc) or conventional solvent or water-based adhesives, hot melts give a good strong bond quickly and economically.

Check these six reasons why more and more engineers are specifying hot melts —

Higher productivity — faster setting allows job to be moved on to next stage more quickly.

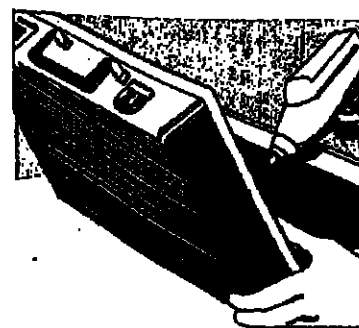
Space savings — short compression times mean less space for automated lines.

Lower labour costs — hot melt systems can be operated by semi-skilled staff.

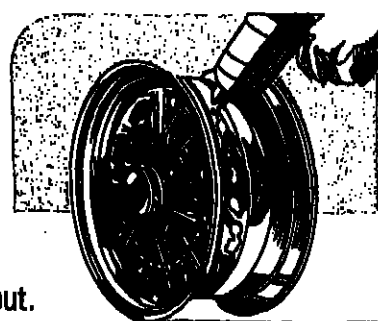
Better appearance — no fasteners or weld marks to show on finished job.

No solvents — hot melts use none.

Better glue-line control — the adhesive stays where it's put.



Du Pont Hot Melts are already performing and saving people money in such fields as Air conditioning, Home appliances, Automobiles, Batteries, Building materials, Corrugated board products, Joinery, Displays, Electronics, Filters, Footwear, Furniture, Lamps, Luggage, Nursery products, Sporting goods, Toys, and Upholstery, to name but a few.



The Polymer Products Division
Du Pont (New Zealand) Limited
P.O. Box 977, Auckland, 1.

Please send me "the book".

Name:

Company:

Address:

How to use
HOT MELTS
for efficient
fastening



DU PONT

POLYMER PRODUCTS

NOW! Learn all
about Hot Melts from
the people who wrote
"the book"

NATIONAL BUSINESS REVIEW

Incorporating Admark

75 cents

Inside

THE WEEK

Hauraki offer could have given great games coverage — Page 3.
A mystery kiwi count found: Australia's mining share market — Page 5.

COMMENT

Left and right without word of a lie — Page 6.
Baker's view and the future: Harris looks at the CBE's programme — Page 7.

POLITICS

The saga of Susan Baker's cheese scores — Page 9.

ECONOMICS

Changing pulse of housing needs — Page 11.

O'BRIEN ON BUSINESS

American journal attitudes assessed — Page 12.
Analysing annual accounts: 12 Forest Products — Page 13.
ABR comments cited by academics — Page 14.

STOCK EXCHANGE

A review of the weekly share market turnover — Page 15.

INDUSTRIAL RELATIONS

Search continues for a wages pact — Page 18.

TOURISM

A reduction in visitor traffic casts an ominous shadow — Page 17.

ADMARK

Twin milk drop design was not everybody's cup of tea — Page 19.

INSURANCE

Scheme offers motor dealers an agency commission revenue — Page 21.

COMMODITIES

Wool buyers are the first into the fray of futures trading — Page 23.

MONEY MARKET

Credit card operators enjoy increasing acceptability — Page 24.

LAW

Procedural debris cleared for Securibank litigation — Page 25.

GOVERNMENT ADMINISTRATION

Cheap spare parts man not allowed a licence — Page 26-27.

ENERGY

Methane conversions generate a loss of efficiencies — Page 28.

AVIATION

Qantas retains status in Tasmania tourist link — Page 29.

HEALTH

Quick "vitamins" become booming business — Page 31.

A & P Board takes another slice of apple business

by Rae Mazengarb

THE Apple and Pear Board has cut a further slice into the apple market with its acquisition of apple juice and cider manufacturer Big Apple Products Ltd.

Brierley Investments Ltd last month sold the Havelock North-based subsidiary to the giant co-operative.

Big Apple general manager Pat McEwan said last week the company was poised for a rosy future with the board.

His company was small fry in the apple-processing business, with a market share of some 2 per cent, but becoming a new division of the board opened up wider horizons, McEwan said.

The foray into apple wine

and cider is not the board's first. Around 1972 it lost money (some claim about \$1.25 million) in an unsuccessful marketing venture under the Vivante label.

But McEwan said that Big Apple would remain a profit-making centre independent of the board's other activities.

The board's "present approach" was that Big Apple would retain its own marketing division, while working in conjunction with the board, he said.

Big Apple strengthens the Apple and Pear Board's near-monopoly grip on the pip fruit market.

But a Massey University marketing study some five years ago recommended that

the domestic market be freed from board control.

Commissioned by the board and the New Zealand Fruit-growers Federation at a cost of \$10,000, the report strongly criticised the board's lack of performance on the local market.

It recommended the removal of controls over the sale of pip fruit within New Zealand, which would oblige the board to compete with other marketing operations.

The recommendations were rejected by the board and the Government.

Big Apple has half the country's cider business with its own cider product and as agent for the Australian Bulmer label.

In the acerbic apple juice field, it has won export orders to Arabia. The export market is considered to have a strong potential.

Aside from the bottled fizzy apple juice for the Arabian market and some cider for Pacific countries, the company

has not been able to extend itself on its own.

The company had been approached in the past with large export orders but was lacking in resources — specially the required supplies of apples at good prices. It had had to turn them down.

"Now we will have the resources," McEwan said.

The company also manufactures juice for companies such as Sanitarium.

A giant in the canning field, the Apple and Pear Marketing Board saw Big Apple's glass and plastic packaging activities as highly complementary to its own.

Big Apple needed rationalisation, the board's process products marketing manager, John McKay, said. Plant needed upgrading and — in terms of economies of scale — throughput was too low to ensure the company's viability.

Trading in a market sector outside the board's own activities, Big Apple presented new opportunities for development.

Brierley recognised it was not the right parent to advance the company's future.

The Apple and Pear Board was the specialist with the marketing and research skills required to more effectively exploit the company's potential. The board had already been doing a good deal of the company's processing work, and a takeover was simply a "natural progression", Brierley executive Bruce Hancock said.

McEwan said Big Apple products would retain their own labels and would be presented in competition with the board's fresh-up products.

He said Big Apple would still deal through export houses such as AHI on much the same basis as before.

The takeover has drawn comments from some quarters that the board will have a virtual monopoly in the field. But McKay pointed out that both Rochdale Cider Co Ltd and a Nelson company provided

Continued on Page 2

The best tobacco money can buy



The judge cleans the decks of procedural debris to make way for the main bout — Page 26.

Blow to consumers

NATIONAL Party delegates to last week's party conference, when entering Auckland's Town Hall, had to walk past a painful reminder that restructuring has not cured all the ills of the import licensing system.

Outside the front door stood Warren Smith wearing a sandwich board telling all and sundry that New Zealand con-

sumers were being ripped off by import licensing in the motor spares market.

Smith sold pistons too cheaply. And despite the service to the consumer, Trade and Industry Minister Lance Adams-Schneider took away his import licence.

Warren Smith's story on Pages 26 and 27.

The week

Trading hours opposed

MAJOR chain stores declared their opposition to Saturday trading and will make submissions to Government for a change in policy.

OIL companies and petrol resellers have applied for an increase in the price of petrol.

MOSGIEL receivers formally accepted the Alliance Textiles bid to take over parts of the ailing company.

BALLOT papers will be considered valid provided the "clear intention" of the voter is apparent at future elections.

INSURANCE workers launched a campaign to secure

policy of job conservation from their companies and protest against the introduction of computers.

WAGE policy talks remained deadlocked and the Remuneration Act blocked progress from the FOL's point of view.

AN Air New Zealand flight from Sydney, supposed to be bound for Christchurch, landed at Auckland. An inquiry is expected.

THE DRIVERS' Federation, negotiating for a 20 per cent wage increase, was offered 11 per cent.

A WORLD surplus has decreased the price of crude oil on the international "spot market" and lowered the British petrol price by 2p a gallon.

HUNTLY power station workers imposed a ban to halt gas supplies as months of negotiations for extra holidays and pay came to a head. Stop-work meetings followed.

A REPORT to the Auckland Regional Authority planning committee meeting recommended that large LPG installations should not be located near residential or employment areas.

PRIME Minister Rob Muldoon was firmly at the helm during last week's National Party conference. He said the party was more united now than it had been for 30 years.

IAN Landon-Lane, of the Department of Trade and Industry, was appointed Ambassador to Chile and Brazil.

AMERICAN consumer advocate Ralph Nader described this country's level of official secrecy as "extremely disturbing" and condemned the Health Department for not identifying the hot pool where amoebic meningitis was found recently.

THE New Hebrides became the independent nation Vanuatu and power was officially

handed over to the country's Chief Minister, Father Walter Lini.

H G Purdy was appointed the deputy general manager of the Railways.

ENERGY Ministry figures for 1979 consumption showed that Wellington households paid less on average for electricity than in other major cities.

DIPLOMATIC relations between Britain and Saudi Arabia were warming after the row over the British television film "Death of a Princess".

BRITISH Home Secretary William Whitelaw rejected an appeal for a public inquiry into the death of New Zealander Blair Peach at the Southall riots of 1979.

THE deposed Shah of Iran died from cancer at the age of 60 in an Egyptian hospital.

SAUDI Arabia confirmed that the overthrown Ugandan dic-

tator, Idi Amin, was in the country (on a pilgrimage to the holy places of Islam, according to Saudi officials).

CANADA — while not planning to increase them — will no longer decrease its wheat sales to the Soviet Union.

PROFESSOR John Roberts, of Victoria University, heads the Labour ticket for the six seats on the Wellington Regional Council.

The business week

Atlas Majestic Industries Ltd reported an audited trading profit of \$229,000 for the year to March 31 (\$312,000 last year).

Brambles Industries Ltd appointed Oliver Richter as managing director.

Carter Holt Holdings Ltd reported an audited net tax-paid profit of \$9,424,757 for the year to March 31 (\$5,055,589 last year). A final dividend of 9 per cent is payable on September 11.

Chenery Holdings Ltd reported an audited net tax-paid profit of \$478,152 for the year to March 31 (\$294,369 last year). A final dividend of 9 per cent is payable.

Ebos Dental & Surgical Supplies Ltd reported an unaudited tax-paid profit of \$168,000 for the half year to June 30 (\$112,000 last year). An interim dividend of 3c is payable on September 8.

General Property Trust Ltd reported an audited net profit of \$6,237,691 for the half year to June 30 (\$4,898,892 last year).

J Mercer Industries Ltd reported a consolidated loss of \$1,577,545 for the year to February 29.

Joseph Nathan & Co Ltd recommended shareholders to accept a cash offer by Tatra Industries Ltd to buy 40 per cent of Nathans ordinary shares and secured convertible debentures.

Nell Holdings Ltd reported an unaudited net profit of \$16,554 for the year to March 31 (\$726,086 last year).

New Zealand Light Leathers Ltd appointed Jon Lamb to the board.

Odlins Ltd made a cash purchase of William Crosher

and Sons Ltd, an electrical wholesaling company.

Placer Development reported a net profit of \$57,411,000 (after adrian dollars) for the half year to June 30 (\$75,012,000 last year).

The Prudential Ltd and Investment Solicitors reported a net profit of \$117,653 for the half year to June 30 (\$100,000 last year).

Reeco New Zealand reported an audited net profit of \$911,707 for the year to June 30 (\$1,036,000 last year). Directors recommended unchanged dividend of 10 per cent, subject to High Court approval.

TNL Group Ltd has its holding in Magpie Laid to 24.9 per

The week ahead

MONDAY: Agriculture Minister Duncan Macdonald Australia for talks at Government and to ministerial conference at Australian Agricultural Council.

Trade and Industry Minister Adams-Schneider address the Automotive Components Manufacturers' national conference in Rotorua.

TUESDAY: Commission inquiry into the removal of colour from the price control. Maori Affairs select committee looks at petition. Marac Holdings' general meeting.

WEDNESDAY: Land & Agriculture select committee looks at the Apple and Marketing Board Amendment Bill.

THURSDAY: Fletcher's annual general meeting in Auckland. Motor Holdings' annual general meeting in Otago. Otago Press and Printing annual general meeting in Dunedin.

FRIDAY: Canterbury Products' annual general meeting in Christchurch. Wilkins and Dore Construction Company's annual general meeting in Auckland.

Continued from Page 1

competition in the cider field, and other independent operators — including Ballins-owned Pinto manufacturers — had a slice of the juice market.

McKay referred to the board's 80 per cent of the juice market and said the Big Apple's share was insignificant. Asked about the future for the company and its 15 employees, McEwan said: "I'm sure the board has plans... but they have only been talked around."

The board still had unused plant in Nelson, which Big Apple could use for manufacturing sparkling apple juice, he said.

The greatest marketing potential was probably overseas, he said. But production was so labour-intensive that the mar-

keting strategy would probably be toward the top end of the market.

Asked about production levels, McEwan said the company hoped within the next months to double last year's earnings of around \$500,000.

While New Zealand's apple production of around 64 million bushels is "small" by overseas standards, McKay pointed out that the company was becoming more specialised in his/her taste.

"We're being forced to process a greater percentage of our apples," he said. Therefore it was important that the board develop fully diversified processing sector.

"We see the development of Big Apple's operations in line with the whole development of the industry," he said.

The week

How Radio Hauraki could have outrun TVNZ

by Warren Berryman

NEW Zealanders missed the chance to view at least two hours daily of the Olympic Games.

"Now it's too late," Radio Hauraki TV director Mike Wall lamented last week when

recalling Hauraki's offer to the Broadcasting Corporation to provide games coverage.

Nobbled by the Asian and Pacific Broadcasting Union agreement and the IOC, TVNZ's Olympic coverage was limited to six minutes a day.

Those six minutes had to be broken down into two-minute pieces separated by at least three-hour intervals.

That meant that if TVNZ didn't bend the rules, we could see only the start, middle, or finish of the 1500-metre race

which took 3½ minutes to run.

The BCNZ failed to have the rules altered to allow added coverage of the games.

It is understood TVNZ bent the rules slightly to give viewers a better look at the games.

But its games coverage resurrected the question: would the viewing public have been better served if TVNZ had accepted the offer from Radio Hauraki?

Hauraki proposed a joint deal with Melbourne's Channel 7. The terms of the proposal, giving New Zealand a total of 69 hours coverage — or four hours a day — were:

• A 13-man production team in Auckland would edit the raw film coming out of Russia;

• The estimated \$380,000 profit, after paying the BCNZ \$120,000 for its transmission facilities, would have been split



Mike Wall... initial proposal cut.

three ways between the BCNZ, Hauraki, and the Sports Foundation.

• The joint Channel 7-Hauraki deal was negotiated direct with Moscow which

would provide the raw feed of film.

Hauraki's new television director, Mike Wall, said Channel 7 was broadcasting four hours a day in Australia.

Channel 7 is not part of the APB agreement as is TVNZ.

Wall said that because of the small size of New Zealand's Olympic team and the number of countries boycotting the games, the initial proposal for four hours a day would have been cut to two hours, had the Hauraki offer been accepted.

Radio Pacific fielded New Zealand's only reporter in Moscow, chief reporter, Chris Foley, who has been phoning in daily reports.

Radio New Zealand relied on BHC reporting from London.

Radio Pacific is also fed with reports from Agence France Press which continued to report while Reuters' journalists were on strike.

Announcing Electronic Filing from Kodak.

In an age of ever-increasing information, Kodak presents a way to find facts fast: the Kodak IMT-150 microimage terminal.

Computers are best used to store and provide summary data. But sometimes you need the entire original document. Beginning with only a fragment of data such as a date or invoice number, the IMT-150 terminal quickly provides you with an image of the genuine article—the sales slip, bill of lading, invoice, or whatever you need.

The document you see displayed on the screen is stored somewhere in the middle of 14,000 other micro-filmed documents. Yet an operator can call up this specific document on the viewing screen of an IMT-150 terminal in less than 9 seconds. And a dry paper print is available at the touch of a button, again in a matter of seconds.

Your mini or mainframe computer knows the proper microfilm cartridge to select; the IMT-150 terminal's own computer "knows" exactly where to go within the cartridge to find the document you are looking for.

Kodak offers a whole family of electronic filing equipment. From microfilers to microfilm reader-printers to dry COM laser printers—many with their own built-in intelligence and more sophisticated electronics.

For a demonstration of electronic filing equipment, please plan to visit the Kodak exhibit at the Furama Intercontinental Hotel, Hong Kong, 16-20 September 1980.

See us at the International Micrographics Congress, Furama Intercontinental Hotel, Hong Kong, 16-20 September 1980.

KB80/16

The Sales Manager, Business Systems Marketing Division, KODAK New Zealand Limited, P.O. Box 2196, Auckland. Phone 778-950

☐ I want to be able to find fast the document I need in my office. Please send your brochure on Electronic Filing from Kodak.

☐ Better yet, have a Kodak representative call to arrange a free information planning survey of my office.

NAME _____ TITLE _____

ORGANIZATION _____

ADDRESS _____

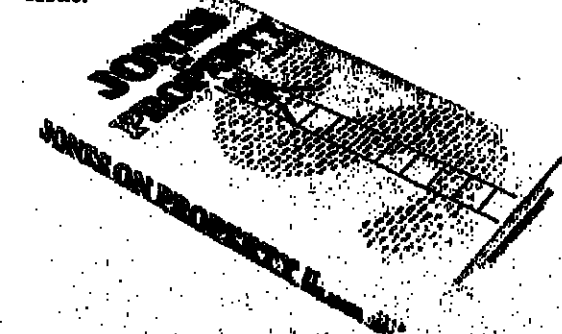
PHONE _____

Bob Jones in April 1980:

"The current economic conditions for property investment... have never been better... in two decades"

A limited, fifth and final, edition of the best-selling *Jones on Property* is now available. Bob Jones' hard-hitting, funny, helpful guide to property investment/development in New Zealand, out of print for nearly two years, has been re-issued for those with an entrepreneurial flair who missed the book before. The text has been updated and in a new prologue Jones explains why we're on the verge of a new property boom. And how a penniless newcomer to the property business can become a millionaire before 1985.

JONES ON PROPERTY... at good bookshops now... or simply fill in the Fourth Estate Subscription Service coupon elsewhere in this issue.



Now more capacity to U.S.A and Europe with 12 flights weekly.

Air New Zealand Cargo now has 40 tonnes of extra capacity to add from the U.S.A. or Europe every Monday. (Plus our usual 11 flights a week to and from Los Angeles) Each of these Air New Zealand flights can carry bulk cargo for distribution throughout the States or Europe. Here's the frequency you need for perishables like fruit, meat and fish. And

the capacity for major shipments of machinery, plastics, textiles, leathers. With on-going connections to Europe all arranged for you.

Contact Air New Zealand or your freight forwarder.

air new zealand CARGO

NOW ON NATIONAL RELEASE

The New Vintage In the New Decanter

NEW ELEGANCE IN GLASS

Designed to be used for serving straight from the fridge to the table. Great to take to a BYO restaurant or even a dinner party.

PREMIUM QUALITY RIESLING

Vinted from 100% Riesling grapes, this fruity German style wine was highly acclaimed last year and has found a ready acceptance with the more discerning New Zealand wine drinker.

NEW 2-BOTTLE ECONOMY

One and a half litres of exactly the same premium wine you'd pay a lot more for by the single bottle.

NEW CONVENIENT HANDLE

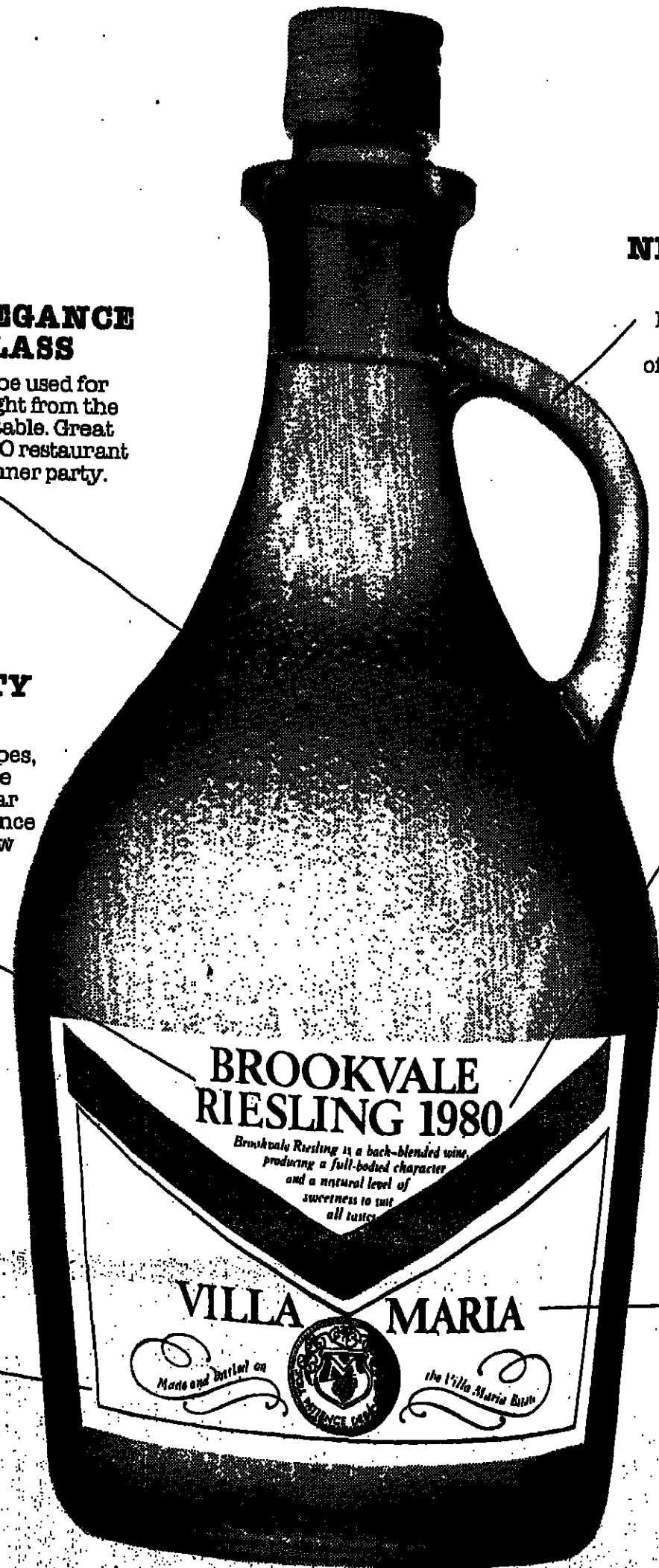
For one handed pouring or carrying, it can save a lot of possible disasters with wet and slippery bottles or carafes.

NEW VINTAGE

1980 looks like being a vintage year for the Sylvaner Riesling grape, making a refreshing white wine traditionally meant for drinking while still young and crisp.

VILLA MARIA ESTATE

The independent winemaker that's made great strides over recent years, as indicated by the increasing number of medals won at major NZ wine competitions.



Wines to suit the occasion - or make it one



The week

Mystery Kiwi count in Australian mining market

by Warren Berryman

A MYSTERY man, Count Tibor Tarkanyi, has the Australian mining sharemarket perplexed. Even the seemingly omniscient *Australian Finance Review* ran a recent headline asking: "Who is Count Tarkanyi and what is he doing with Northland?"

Bearing a New Zealand passport, the count arrived in Australia carrying an oil concession document signed by the Crown Prince of Ajman — one of the United Arab Emirates on the Pirate Coast of Arabia.

The count had previously bought 19.3 per cent (about \$0.5 million worth) of the shares in Northland Minerals Ltd, a small exploration company with tin leases in West Australia and two copper leases in South Australia.

Informed sources in the Australian mining industry don't fancy Northland's chances of finding much copper on its leases. But the Ajman

oil concession prompted a small rise in Northland's share prices — though the market appears to be acting with caution if not scepticism.

Before rushing in like bulls, Australian investors want to know who Count Tarkanyi really is. The *Australian Finance Review* made a valiant effort to find out.

It found the Northland shares had been bought through Finbanc Corporation, a \$A2 shell company registered in Sydney.

The count and British drilling engineer, Trevor Bailey, bought Northland shares in partnership, the *Financial Review* said.

The count also owns a company called Unigulf Petroleum registered in Delaware, United States. This company, the *Financial Review* said, had so low a profile as to be almost flat. But according to the count, it bought single tanker loads of oil and matched them with refin-

eries in need of a particular grade of oil.

Oil industry sources contacted by *National Business Review* have also never heard of Unigulf.

So who is Count Tarkanyi? The *Financial Review* described him as "wearing a promoter's regimental cream suit and his dark blond hair was parted in the middle and slicked down over both ears. His green eyes peered from behind yellow-tinted spectacles."

The paper said the count was 32, born into the wealth and prestige of the Tarkanyi estate north of Budapest.

The *Financial Review* tried to track down the count at a London address, and also failed to contact him at a phone number he had given in Sydney.

And there its story ended in aristocratic mystery.

Last Christmas the count visited New Zealand where he was introduced to local busi-

nessmen. One looked up from his desk on introduction to the count and said: "Goodday Tony".

Count Tarkanyi is none other than Silverstream old-boy Tony Nagy, known to his school mates as being fast round the track and quick over the hurdles.

Apart from the title, the open-necked jacket, silk shirt, gold chain round the neck, and expensive clothes, he was just plain Tony to his Kiwi cobbles and Anton to the women.

The London address given to the *Financial Review* — 57 Chestnut Place — is a flat rented by the count's British lady friend, Iona Jackson.

The count is a real count. The family simplified the name on coming to New Zealand.

The count's mother, the countess, lives in Wellington's Mt Victoria. She formerly had Nagy Fashions, a fashion clothing company.

The Tarkanyi family was almost wiped out by the Com-

munists at the end of World War II.

The last of the Tarkanyi line emigrated to New Zealand.

This answers part of the question of who Count Tarkanyi is. But it opens a further mystery for the count's old friends in London and New Zealand — how did Tony or Anton lay his hands on anything like half a million dollars?

The count's London friends remember talk of a chickens-to-Arabia deal and that they tried to float a film called "The Fast One." But the only money-spinner they can recall were some deals in which cars were bought in one country and sold in another.

As to buying tankers of oil through Unigulf, Tony's friends recall nights in London playing *Petropolis*, a game like monopoly with oil derricks and sheikdoms replacing "go to jail" and such like. But they can't remember any real tankers brimming with black gold.

Northland's prices for its 16.8 million shares fluctuated between 8c and 24c each this year. They currently range from 15 to 17c, a slight gain since the mysterious count entered the picture.

But counts — even Kiwi counts — might move in mysterious ways.

One of the count's lady friends remembered him fondly.

His male friends remember him as an entrepreneurial type with grandiose ideas but always a bit short of the ready cash to carry out even small ventures such as buying and selling sports cars.

According to the *Financial Review*, the count arrived in Australia from Dubai carrying a signed oil concession document from the Crown Prince of Ajman.

More circumspect, perhaps, Northland Minerals' report to the Stock Exchange said the company was involved in oil and gas and negotiations were at an advanced stage.

There has been a virtual moratorium on such developments since the start of the centralised project in 1975. Similar co-ordination is recommended for local government systems, which have been disparate in their development.

Govt DP: report urges wide-ranging overhaul

by Stephen Bell

THE Auditor-General's long-awaited report on the use of computers in the public sector shows — as many critics expected — that all is not well in Government computing.

In more than 100 pages, the document makes wide-ranging proposals for revising current practice in data processing by central and local Government and educational institutions.

But it does not conclude that computing in Government circles is any more poorly administered than private sector computing. Auditor-General Fred Shalles emphasised.

Indeed, many of the problems pointed to in the report's initial section are not only "common to all public sector organisations", but depressingly familiar to DP managers everywhere — staff shortage, inefficient project control and inadequate supervision of DP operations by senior management are universal grumbles.

Inadequate assessment of the complexity and eventual cost of projects — a common accusation levelled at the public sector — emerges prominently in the report.

At present, consideration of

central Government DP proposals is very much separated from assessment of other proposals and the report recommends that it should be more closely integrated.

A co-ordinated long-term plan for central Government computing is "an essential prerequisite" which has been neglected, says the report.

The unsatisfactory nature of current project management procedures is also emphasised.

In its initial response to the report, the State Services Commission points out that the latter aspect is already being tackled with the adoption of a proprietary project management package.

A five-year plan for DP is already in place, says the SSC, but formal central Government approval of this plan would be "a worthwhile advance".

The Auditor-General raises again the often-considered question of whether the dual roles of the SSC's Computing Services Division, as policy-making body and day-to-day operator of the Government's larger computers, might be better separated.

The advisability of concentrating computing resources in a few large centres is also questioned, particularly in the

light of advances in small computer technology.

The Health Department's computer system comes in for particular attention.

A decision should be made on the continued viability of the system, the Auditor-General says. The payroll part of the

system especially needs "redesign or replacement", and the laboratory system should be abandoned.

The Health Department has already acted in this direction, setting up a board of review to recommend future directions for the department's DP ac-

tivities.

The possibly inappropriate centralised nature of the system will be examined, says Health Minister George Gair, and independent, but co-ordinated, development of computer systems by individual hospital boards could be permitted.

Get up with the international play in freight.

Auck 30-395 Wgtn 739-399 Chch 585-012



V.H. FARNSWORTH LTD.



PAINTING • RIGGING
WATERBLASTING • DEMOLITION • RUBBISH REMOVALS
GENERAL MAINTENANCE • SANDBLASTING • GALVANISING

LABOUR ON CALL
FOR ANY PROBLEM

V.H. FARNSWORTH LTD.

71-73 FANSHAW STREET, AUCKLAND

PHONE
92-488

Editorial

IT was a good week for Ralph Nader, consumer crusader and freedom-of-information advocate, to acquaint himself with our peculiar form of open government. Two more energy price deals were struck between the state and big business (and the details kept secret). National Development Minister Bill Birch warned the public against "maliciously" delaying project development by exercising rights entrenched in the National Development Act. And Otago University economist Professor van Moeske, in despair after having his work further denigrated by critics who say he is wrong but will not give figures to show why he is wrong, questioned the quality of the energy debate.

Fletcher consortium representatives in Auckland last Tuesday dismissed van Moeske's analysis of aluminium smelters as so awry as to be not pertinent — but they wouldn't specify where it was off beam. Van Moeske lamented that some members of the business community seemed concerned only to reduce discussion "to a purely abusive rather than instructive level". He emphasised that his figures were open and could be checked; but people were being asked to accept contrary claims based on secret data. By introducing advanced methods of project appraisal to New Zealand for the first time, he had hoped to keep the smelter discussion at a scientific level, he said.

Birch also attempted to rebut van Moeske's report on the economics of aluminium smelting, a few days before signing the contract to allow Cornalco a third poll. "His critical figures are so much in error that they need to be refuted now that a decision has been taken to proceed with this project," Birch said (thus showing his readiness to engage in public discussion and debate on the economic fundamentals of aluminium smelters only after his Government's decision had made the dialogue an exercise in futility). He gave four points on which he claimed van Moeske was in error. Van Moeske's comment on each point in the *Otago Daily Times* suggested his

"errors" were far from what the Minister would have the public believe.

But it was a step up from Trade and Industry Minister Lance Adams-Schneider's reaction to van Moeske's study back in April. He declared that a competing independent report disproved van Moeske. His statement was followed by an admission that he had neither read the report nor the competing independent report; which turned out to have been one done for an aluminium smelting conglomerate by the Institute of Economic Research. Regional Development Minister Cooper's initial reaction to van Moeske had been to announce an urgent study to determine how much surplus electricity would be available in the South Island in the 1980s. Despite the advanced stage of negotiations with the multi-nationals in attempts to sell the surplus, it appeared that the Government did not know how much surplus there was.

While Ministers and consortium interests were taking the professor to task in their efforts to uphold the validity and worth of their pet projects, the thrust of van Moeske's argument — that the aluminium schemes are of dubious economic value to the nation's best interests — came from a quarter other than Opposition politicians or environmentalists. The criticism of the Government was levelled by a development scientist at the Ministry of Works and Development, Murray Ellis, in a privately circulated paper which examines the costs associated with the plant and works out the "net export earnings" that it would contribute. The Government's plans for a second aluminium smelter were uneconomic by a wide margin, he argued. And so, it appears, at least one expert inside the civil service takes issue with Birch. Why, then, should we believe that the Minister and his Government are so right with their grand ideas whose most debatable details they will not share with us?

Yet last week Birch again demonstrated not only his dogmatic belief that he is right in thrusting on us a series of energy-intensive projects; he made clear, too, he would brook

no public effort to thwart the process of bringing to reality his notions of what is best for New Zealand. "If people are going to use the provisions in the National Development Act to simply delay the building of projects and use them maliciously to delay progress, then there would be no recourse other than for the Government to pass special legislation," he said.

Birch's warning coincided with widespread rumours in the capital that Alberta Gas and Chemicals chiefs are concerned that the fast-track provisions whose effectiveness their project would be establishing were not fast enough. With Petrocorp they are lined up to take the maiden trip on the fast track for their \$130 million, 1200-tonne-a-day methanol plant in Taranaki. The ease with which the consortium's plans can be slid through the streamlined procedures will determine just how quickly the plant can be built.

When he announced that the Cabinet had decided in favour of the Petrocorp scheme, Prime Minister Muldoon said it would be able to get its project off the ground much sooner than the competing BP-Challenge-Fletcher consortium scheme. Speed, obviously, was of the essence. But he described questions on this as "destructive" and said it was not possible to give a precise production date in view of the lead time of several years. He refused to give an estimate to within one year or even two years on when he expected the plant to be in production. Birch, in contrast, said he expected the plant would come on stream in mid-1983. And inevitably, the Petrocorp board decided in April to apply for the fast-track treatment.

But while Birch and Muldoon both have said many times it was important for the methanol plant to be built as quickly as possible, there appear to have been snags.

On Morning Report the other day, Birch denied that Alberta Gas and Chemicals had expressed concern in the development programme. He said there were a number of important contracts to be decided, but "the time taken to complete them is not holding up the development". He did concede that the

contracts had "taken longer to come together than we expected". But according to Birch, there had been no delays that would put back the plant's commissioning.

Alberta Gas and Chemicals executives were in Wellington last week to resolve some of the delays. Approval for the site near New Plymouth, a marketing contract for the sale of methanol to Alberta Gas, and a gas price contract with the Government were three key problems to be resolved in their meeting with Petrocorp and Government officials. And last Thursday, a gas price and supply agreement (confidential) were reached.

That contract ended a four-month delay and enables the company to determine a market price for the methanol, which will allow financiers to assess the viability of the project.

Now the project faces the public hurdles — and Birch would do well not to make it easier by lowering them. He should be reminded that the National Development Act was given its present shape only after widespread criticism prompted its amendment.

He might recall what he said when the Bill was given its second reading. The Bill "was to have major projects fully considered in public without undue haste..." he said. It was not intended to alter existing rights and responsibilities... it provided that some decisions now made behind closed doors were made in the open with the opportunity of public participation. Consents such as planning permission, water rights and approval to use resources were crucial to the question of whether the work went ahead or not "and raise important social, economic and environmental issues". All those who would have the right to appear or be represented at any hearing under the existing legislation would enjoy the same rights under the National Development Bill.

Decisions on projects envisaged by the legislation were "vital to important ones", Birch said then. "The decisions must be made fully and thoughtfully made and only after the widest consultation with and participation by all interested parties". We'll buy that. — Bob Ellis

Without word of a lie

The power of official silence

WELLINGTON'S Municipal Electricity Department had had cause in recent weeks to cut off supplies of power to domestic hot-water systems at various periods. And customers who have not got the response they expected when turning on their hot taps have been a bit piqued at the MED's flexing of its ripple-control muscle without any public announcement.

One irate citizen — her daily nappy-washing routine upset by the curbs on her water heating — phoned the MED to find out about the cooling of relations between customer and supplier. Among other things, she was told it was not part of official procedure to advise the public of its ripple-control intentions. Which, of course, suggests a reluctance to let the public know that electricity supplies may not be quite as ample as grandiose aluminium schemes suggest they are.

The drying up of information supplies

WINE writers who play the game with the Wine Institute are rewarded for their favourable stories with cases of wine when they visit the vineyards.

Not so for *National Business Review's* wine writer, Frank Thorpy. Since Thorpy took a critical glance at the "water into wine miracle" he has not been invited to taste new wines at Wine In-

stitute functions. Nor has he been receiving any of the PR bump the institute puts out for wine writers.

Thorpy has been excommunicated.

It's not that he lacks the credentials. A *bon vivant*, gourmet, wine buff, and member of the diplomatic community, Thorpy has more than passing acquaintance with domestic and foreign wines. He has also written *Wine in New Zealand*, now a collector's item, which sells for about \$20 a copy — when a copy can be found in rare book shops.

Thorpy effectively had diplomatic relations with the Wine Institute broken off when he wrote a two-page profile on Wine Institute member Frank Yukich, of Penfolds. Yukich is on the outer with other institute members for his stand on the watered wine question.

Institute director Terry Dunleavy summed up Thorpy's Yukich profile as "puffery" — a curious attitude for one charged with building up a favourable profile for his members and the industry. Yukich contributes a quarter of Dunleavy's salary through his contribution to the Wine Institute.

Dunleavy was previously public relations man for Montana Wines. And the attitude he expresses towards Yukich is not dissimilar to that of his past employers.

Wine writers take heed. If you want to remain on the freebee list, write nice things only about the wine industry. And don't include any praise for the odd man out.

Fund may be feeble — but it's not dead

REMEMBER JBL, the multi-million-dollar bust of yesteryear? It's still ticking over.

And remember Fund of New Zealand, the \$6 million property-based unit trust that everybody wanted to get their money out of but couldn't because they were locked in? Like JBL, Fund of New Zealand is still ticking over and the unit-holders are still locked in as they have been since 1976.

JBL and Fund of New Zealand are being managed by Auckland accountant Doug Hazard. Hazard recently wrote a letter to Fund of New Zealand unit holders hinting that he might ask them for more money to keep their funds alive. He wrote enthusiastically about Chartwell, a Hamilton-based shopping complex, Fund of New Zealand's biggest subsidiary, long since insolvent.

Some fund members wanted to sell this white elephant — even at a loss — as far back as 1975. But the fund's management company, Fund of New Zealand Services, argued that the investment should be retained — which of course kept the fund alive, if only just.

Rebel unit-holders forced a change in the management of Fund of New Zealand Services. They were pleased when Doug Hazard was appointed chairman.

But the unit-holders haven't seen one penny's interest on their investment since 1975 — much less a hope of getting any of their capital back.

But the fund is still ticking over, at least paying salaries to those who manage it if nothing to those whose money is at stake.

Flying lessons from Brazil

ACCORDING to travel industry gossip, is it toss-up whether that 5 per cent travel tax announced in the Budget will help subsidise Air New Zealand's \$20 million losses through the Consolidated Fund or if the added impost will discourage domestic travel to a point where the Government-owned airline can't subsidise its external operation by gouging local travellers any further.

One thing is becoming clear. Air New Zealand can't keep pointing the accusing finger at external events like the DC-10 grounding to divert public attention from problems at home such as feather-bedding, excess staffing, industrial relations problems and promotional disasters like the Alan Wicker campaign.

Varig, the Brazilian airline, runs 51 planes — among them, DC10s. Varig made a \$51 million profit this year. Air New Zealand will make a \$20 million loss.

Varig resists political interference. Air New Zealand is propelled on hot air blowing from the Beehive.

Varig is 85 per cent owned by its staff. Air New Zealand is owned by the Government. Could it be that airlines run as a political exercise don't run as efficiently as those run by parties with a financial stake.

Brockie's view



Comment

CNG programme poised to take major leap forward

by Dr Garth S Harris

CNG is the only alternative transport fuel which is currently available in abundant quantities. But it is available only in some North Island towns.

The speed with which CNG is implemented depends on factors such as training of installers, setting of standards of installation, writing of town planning guidelines for refuelling stations, investigation of ways to accurately meter CNG into vehicles, pricing of CNG, and so on.

In the first year, since the Government announced a target of 150,000 vehicles, more than 7000 conversion kits have been sold, including 2000 to Government departments. If the target is to be met, more than 15,000 additional conversions need to be undertaken over the next 12 months.

The number of vehicles converted is surprising in view of the very considerable difficulties which occurred in relation to approval of Italian equipment for use in New Zealand.

Many regulatory and legislative aspects have now been settled, or shortly will be. Some refuelling stations have just commenced operation, while many more will come on-line over the next few months.

The CNG programme is now poised to take a major leap forward, and many fleet vehicles will be converted over the next year.

A year ago, petrol was retailing at 31.6c a litre while CNG plus road tax was estimated to cost about 20c a litre equivalent from a hypothetical public refuelling station.

Petrol has been at 52c a litre while CNG was actually selling at 25-30c a litre equivalent.

Thus there is more incentive for conversion to CNG, particularly for vehicles which have high kilometrage in the city.

What are the economics for the private motorist? A car, which on average travels 12,000 km/year, in urban running and uses fuel at 10 km/litre/100 km, will consume 1200 litres of petrol. A CNG conversion costing \$1200 will enable the motorist to save \$324 a year in fuel costs at 25c a litre for CNG plus road user charges of \$6.01 per 1000 km and 52c a litre for petrol.

It will require five years to achieve pay back, a figure which most motorists would consider to be too long. Motorists who use more fuel (either through greater urban travel or by use of less fuel efficient vehicles) will achieve a pay back in a shorter period. Likewise, tax advantages to companies mean that pay back is achieved in a shorter period and this is borne out by the very great interest in CNG amongst fleet owners.

In the case of taxis, for instance, pay back can be achieved in well under a year. On the other hand, motorists who travel small distances annually could justify conversion only if they were very concerned about security of fuel supply for their cars.

Fleet owners will probably make up the bulk of conversions to the end of 1981, by which time a fair proportion of fleets will be converted. For the target of 150,000 vehicles to be achieved by 1985, some additional incentives may need to be offered to private motorists. An example of an incentive would be a reduction in the price of CNG.

A 0.5c litreise in petrol tax (1 per cent in petrol price) would yield \$15 million a year, sufficient to halve the annual fuel bill for 100,000 vehicles converted to CNG — that is, a car with annual distance travelled of 12,000 km, fuel economy 10 km/litre/100 km, would pay only \$222 for CNG

plus road-user charges, compared with \$624 for petrol or an attractive pay back of three years. Even if the tax were increased in the North Island only, there would be ample funds to greatly increase the number of vehicles converted.

The target of 150,000 vehicles is an arbitrary figure. Nobody can, with any assurance, say that the target is or is not too high, even taking into account one year of implementation.

It is not impossible that the target could be at least doubled provided that sufficient incentives were given. Energy Minister Bill Birch, in his article in *National Business Review*, June 23, adopts a flexible approach to the 150,000 vehicle target. However, it is unlikely that in the normal course of events a target of 500,000 conversions by 1985 could be exceeded because of the very great logistic problems, particularly in relation to the setting up of refuelling stations and supplying gas to areas not reticulated. This figure is about two-thirds of all petrol-engined vehicles which are at present close to the natural gas pipeline.

The approximate foreign exchange content of the conversion kit plus the gas compressor is \$700 a vehicle of which \$200-\$300 relates to the conversion kit. The foreign exchange component of petrol cost at the moment is about 25c a litre.

For the motorists who annually switched 1200 litres of petrol to CNG it would take 2.3 years to pay back the foreign exchange. With future rises in petrol price, this pay back would be achieved in a shorter period. After pay back, substantial foreign exchange savings will occur.

The programme for indigenous transport fuel recommended by Liquid Fuels Trust Board, and largely adopted by Government, has the following major components:

- 120,000 vehicles converted to use CNG or LPG;
- Manufacture of 530,000 tonnes/year of petrol by the Mobil process;
- Use of condensate from the Maui field for diesel and petrol production.

The above programme will supply approximately 50 per cent of transport fuel. One of the key elements is condensate production. The greater the use of Maui gas (either in transport or elsewhere), the greater the production of condensate (and LPG).

Condensate is a light crude oil which is refined to produce petrol and diesel. This the use of natural gas to manufacture chemical methanol not only means we can sell overseas a valuable chemical product, but in addition more condensate is produced.

It will take all the condensate flow generated from gas used for premium uses, electricity generation, the stand alone methanol plant and the synthetic gasoline plant, plus the ambitious target of 150,000 cars on CNG by 1985, plus the output of the synthetic gasoline plant and planned LPG production to achieve a 50 per cent self-sufficiency in transport fuels in the middle 1980s.

Conversion of 150,000 or even a larger number of vehicles to CNG is quite compatible with the above plan which still requires substantial imports of petrol. Only when CNG use starts to cause the expanded refinery to operate less than maximum capacity is there any great conflict between the various production procedures for indigenous transport fuel.

It should also be noted that methanol or ethanol used in low blends with petrol, or methanol or ethanol used in high blends with petrol, can be seen as an attack on the remaining 50 per cent

transport fuel imports. These alternatives should, at a modest level of implementation, be perfectly compatible with a major CNG implementation programme.

In conclusion, it is highly desirable that New Zealand presses forward on a fairly wide range of technologies for the production of indigenous transport fuel, some of which will be more successful than others. The decisions made to date by Government are all complementary and should, if carried through, result in 50 per cent of our transport fuel coming from indigenous sources by the mid-1980s. For strategic reasons alone the remaining 50 per cent is of some concern.

An increase in rate of implementation of CNG is well warranted, could at this stage be supported logistically, and would reduce the risk of disruption to transport. An increase in the target figure of 150,000 CNG conversions by 1985 is compatible with decisions already made and can be supported on strategic grounds. Further incentives to private motorists, however, will probably be required if any substantial target is to be met.

Dr Garth S Harris is executive officer of the New Zealand Energy Research and Development Committee.

Pack up your troubles in a

MOGAL COVPAK

Since MOGAL introduced its COVPAK last year they have been used for carrying electrical goods, timber, plastic articles, foodstuffs, fabrics — the list is endless.

If you need a packaging that is...
• too expensive
• too complex
• too inefficient
• too difficult to handle
...you need MOGAL covpak

call us for a demonstration

MOGAL

THE VERSATILE PALLETISED CONTAINER

AUCKLAND BRANCH: 100-100, Te Papa, Phone 667-189
WELLINGTON BRANCH: 100-100, Te Papa, Phone 666-189
DUNEDIN BRANCH: 100-100, Te Papa, Phone 772-201
CHRISTCHURCH BRANCH: 100-100, Te Papa, Phone 466-780

NATIONAL BUSINESS REVIEW

Published by Fourth Estate Newspapers Ltd.
Managing Director: Reg Birchfield
Marketing Director: Ian F. Grant
General Manager/Accountant: Stephen Underwood
Editorial:
Editor: Bob Ellis
Production: Ralph Green/Ann Taylor

News & Features:
Colin James, Rae Mazengarb,
Stephen Bell, Jack Hodder.

Contributing:
Finance: Peter V. O'Brien

Auckland Bureau:
Warren Betymann

Advertising Sales:
Manager: Paul A.G.S. Loh

Promotions:
Manager: Karl Scott

Circulation:
Manager: Jan Chae

Auckland Office:
2nd Floor, Levens Building,
Cnr Airedale & St. Paul Streets, Auckland
Tel: 799-304

Wellington Head Office:
Fourth Estate Newspapers Ltd.
15 Blair Street, Wellington N.Z.
P.O. Box 8344
Tel: 798-876

Subscriptions:
Manager: Neil Jones

National Business Review incorporates *Advert* and is a registered publication weekly (except for last week December and first two weeks January).

Typeset and composed by Computype Services Ltd., Wellington. Printed by R. Lucas & Son Ltd., 118 Kapiti Road, Papanui.

Single copies: 75 cents
Subscription rates: NZ\$20.00
Member ABC (Advertisers Bureau of Circulation)

Letters

Too much of a good thing

SOME literary licence now and then is relished by the best of people.

I suggest however that too much of a good thing can spoil the ship for a halfpenny of tar as the following examples (NBR July 7) show.

- IDC uncorks wine plans
- Local wine industry thrown into ferment...
- No branches in the garden of Eden
- Growers putting squeeze on citrus authority
- Beefing up on pork
- Entrepreneur levers into cut throat razor market!

I must admit I cracked up over the "Chocker Folker Grounds Ocker" and trust the egg does not end up on my face over the above observations.

CH Upchurch

The IFA papers

YOUR article, "Government's airworthiness indifference shocks engineers", (NBR, July 28) is way off beam and one wonders at the author's motivation.

The Civil Aviation Division enjoys good working relationships with SLAET. We have consistently advised it that we support many of the objectives of IFA and see a role for it in international airworthiness. However, we have many calls on our limited resources and do not have the overseas travel funds available to participate effectively in the affairs of another international organisation such as IFA, much as our technical officers might benefit from the opportunity.

We are already committed to the International Civil Aviation Organisation (ICAO), to whose convention New Zealand is a signatory. Our airworthiness policy stems from that body which provides the major world forum for civil aviation.

Note that IFA, like similar international bodies, holds observer status at ICAO. Accordingly we consider it unnecessary to join IFA as well as ICAO, but we will listen to them, assist them where possible, and if we so decide support

particular policies that they may promote in ICAO.

The 10 percent of IFA which comprises government authorities actually numbers five — the United Kingdom, Hong Kong, Tanzania, Iraq and the Philippines, hardly a wide representation of world authorities when one considers that ICAO has 145 member States.

We declined Mr Keen's offer of further papers largely because they were oriented towards economics rather than safety. We fully appreciate the importance of economics, but the particular topics were more relevant to operators than to authorities. We had already received many other papers arising from the last IFA meeting in Tokyo, including an interesting summary of the discussion on international aspects of aircraft maintenance engineering licensing.

Your author is apparently unaware that at that meeting IFA changed its stance on the concept of the international licence. Although this had been one of IFA's early prime objectives it has now been effectively discarded as an impracticable pipe dream, at least in the immediately foreseeable future. Instead IFA has adopted a more pragmatic approach aimed at increasing international airworthiness acceptance and co-operation without jeopardising existing national airworthiness standards or responsibilities. We are in full agreement with this revised approach.

Mr Keen, who by the way was not present at SLAET's annual meeting, may be disappointed that we decline to join IFA, but I am surprised at the pettiness of his comments which responsible engineers will recognise as quite unjustified.

Our airworthiness standards are among the world's highest, due in no small way to the co-operation and dedication of the great body of our licensed engineers.

T R Pike
Acting Director of
Civil Aviation
Ministry of Transport

OUR point was that you were offered the papers, but rejected the offer without apparently giving any valid reason. That left the impression you were disinter-

ested. We felt that, purely as a courtesy, you might have accepted the papers whether you intended reading them or not. — Editor.

Conference compared

I REFER to "Producers hold trump up their collective sleeves" (NBR July 7). In the following sentence: "ABC is seeking to join the conferences serving Australia, but as yet has been rejected."

As chairman of the Australian/Europe Conference, (as well as the New Zealand/Europe Conference), I believe this statement is untrue.

ABC has not made any application to join the Australian Conference and I think it is unlikely they will do so. Conferences have always maintained that it is a *sine qua non* of

membership that common rates of freight should be applied by all members.

ABC, with its much inferior speeds and routings, could scarcely expect to get any cargo at all if it charged conference rates of freight. Its only attraction to any shipper is cut rates of freight, since its service does not compare with that offered by the conference.

A J Bott
Chairman of
The NZ Europe Shipping
Association and the
NZ/UK Conference
London

Changing attitudes

IN answer to Mr Jukes letter (NBR, July 28), I merely deplore the increasing attitude to our society that everything and everyone is bad, that there are

"feds" under the bed and corruptions everywhere we turn. If such a climate continues we will all become part of a

"sickness" of mistrust and deception.

People will be afraid to believe the best of each other thus encouraging the worst. Where issues such as the Lands Board arise, judgment will be passed before all the facts are known — only the sensationalism of a matter will surface. Objectivity will go out the window.

You may be surprised about the matter of ordinary New Zealanders who seldom say much but see the realities of political shenanigans today, as never before.

Has it occurred to you that Venn Young has told the truth and did not in fact actually set about to do anything honest. A mere question of judgment may in fact be the truth.

If so — do we then say he or anyone can't afford to make a mistake? Rubbish — we all make mistakes — are you too so perfect? If you are — then bless

you my son. If not — then let's get a bit of balance back into society — quickly.

Let's not judge and condemn anyone until all the facts are known and judgments are arrived at in a climate of balance, objectivity, impartiality and real integrity. This will not be achieved in an atmosphere of public crucifixion and character assassination.

Someone must always stand for the other side. That's fundamental to democracy itself. If we all remain silent and get on the band-wagon of scandal or public dirty linen washing, what sort of a society are you encouraging for our children tomorrow?

Justice must be seen to be done — for everyone. I may be flying in the face of public opinion. If that's so — well, because my motives move to continue to do so, at that.

Paye Thomas
PR consultant
Auckland

How the D series deal of profitability works for us

Kerry Dines, Manager,
Wilson Rothery Limited, Auckland.

"This company has been buying Ford trucks from the same dealer since 1929.

"When I took over as Manager, I was very conscious of how tradition can often obstruct progress. I wondered whether this was the case with our trucks. Were Fords still the best machines for the job?

"We had our Service Manager take a long, hard look at the field — all makes, all sizes — to find out just which truck was going to give us the best run for our money.

"If we changed we would have also have to get the same commitment to first class backup that we get from our Ford dealer.

"When all factors were considered it was found that for capital outlay

over productive life, the new Ford D Series took the honours.

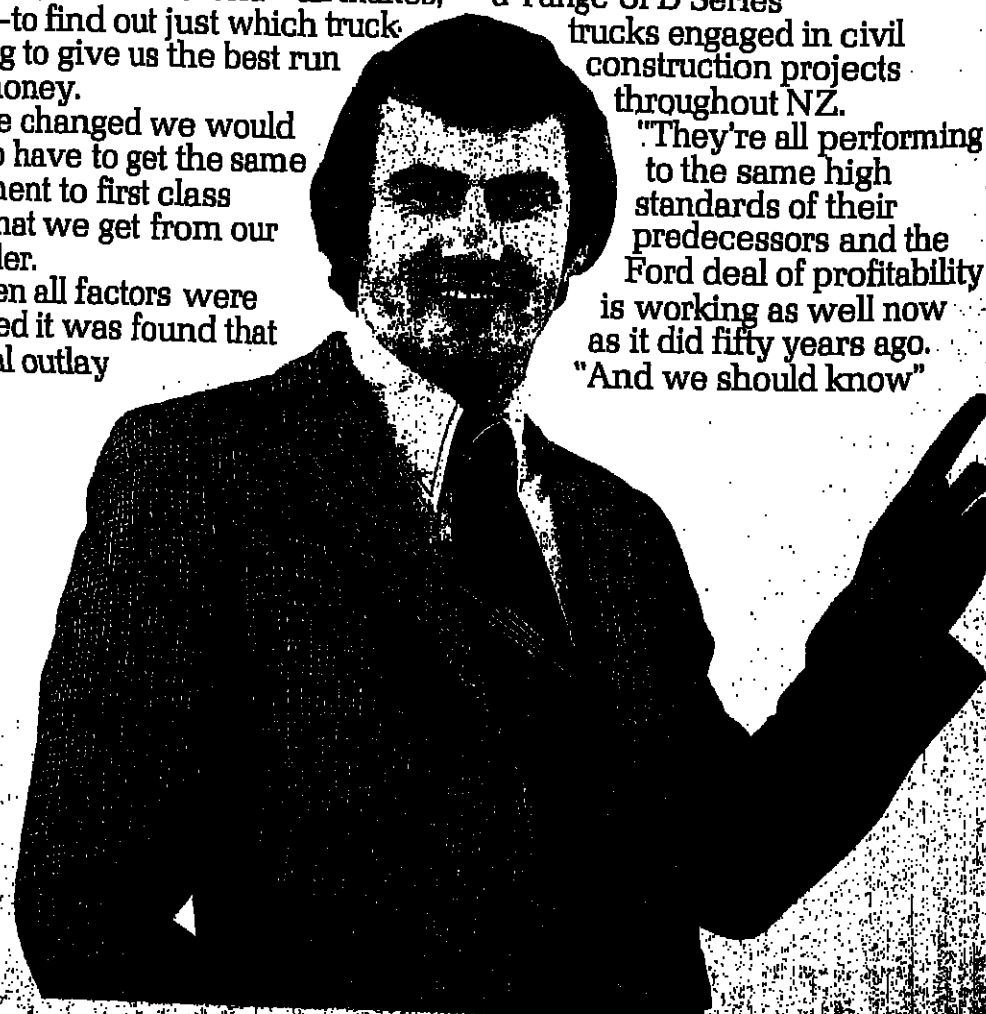
"A good sized, efficient and easily maintained vehicle at the right price" was our Service Manager's comment.

"To me that spelt profitability and practicability.

"And so it has proved. Wilson Rothery now has a range of D Series

trucks engaged in civil construction projects throughout NZ.

"They're all performing to the same high standards of their predecessors and the Ford deal of profitability is working as well now as it did fifty years ago. "And we should know"



FORD D SERIES

FORD D SERIES

As tough as our customers!

Ford Motor Company of New Zealand Limited. Specialised and prompt service is always within reach.

Politics

The saga of Susan Baker's superb cheese scones

by Colin James

THE Maoists seem to have taken over the National Party. After the two giant free enterprise steps forward of last year, this year one step backwards to realism.

The Nationalists are starting to get ready for the election. Gradualism is back in vogue. Revolution is for the back streets of Birkenhead, the parlours of Remuera.

Don't get me wrong. Out there in twin-garage-land, they are as hardline about their birthright to freedom as they have ever been.

If you had strayed into the agriculture discussion group on the Sunday, you would have heard them baying for the blood of the regulators and planners as vigorously as they were doing last year — or for that matter in May of this year at their regional conferences.

And they whipped through remits —

- Demanding action on previous years' remits boosting private enterprise and de-socialisation and reducing state spending and taxes;
- Demanding more competition and a review of import licensing;
- Letting private enterprise introduce FM radio;
- Proposing a shift of service and trading activities from the public to the private sector, so reducing state spending below 30 per cent of gross national product;
- Calling for a review of "all trade, professional and commercial licensing, with a view to dismantling as many licensing requirements as possible";
- Aimed at switching tax from direct to indirect forms.

Great stuff. All in the finest of this new fashion for restructuring. Only bold innovations will give a real chance of

winning next year, the line goes.

But some people have been restructured already. They have found out it hurts.

There were the tobacco growers bleating (to the disgust of the pastoral farmers who thought they were letting down the side).

There were the people from the boat-building electorate bleating about lost jobs and lost votes.

They did not get far. Juggernauts don't swerve too easily, nor is it easy to stop them. But the brakes are being applied, ever so gently.

The man who did it was Brian Talboys.

Talboys has not been much involved in the back-to-basics debate. He has been elevated to a lofty eminence, beyond the reach of the slings and arrows of the massed ranks of free enterprise.

But he came down from Mount Olympus at the conference

and with power and skill swept delegates breathlessly away with the rhetoric of gradualism.

"When we talk about restructuring," he said, "what we are saying is that there is a need for us to concentrate our resources where we do the job best."

"It does not mean the removal of all protection on industry." That would bring chaos.

"It is not simply an economic exercise. It is also a social exercise."

"There are thousands of jobs for people at stake."

"We must approach this exercise gradually. That's the essence of conservatism — gradualism."

In print the words do not do the speech justice. It was a powerful address — the most powerful I have ever heard from the man (is he now thinking of staying on?). And it

had a profound effect on the delegates.

Suddenly they were all conservatives again.

The radicalism of the last 18 months put aside in the heat of an electric moment — the most spontaneous standing ovation of the conference.

Others took it up. Ian McLean a few days before on television had pleaded the cause of moderation. The following morning, Geoff Thompson told delegates he went along with Talboys message.

As one MP put it to me: "We've laid the motorway; now we are putting up the signposts."

The conference itself rejected the logic of the state-hands-off philosophy on the issue of unemployment among the young. Remnants of social conscience coalesced into approval of taxpayer-financed training schemes.

Contradictions? A party at philosophical odds with itself?

In a sense, yes. Transitions tend to do that to parties.

But it is probably better described as a tension between (to borrow the language of Hegelian dialectic that marxists use) the "thesis" of 1969 — gradualism and the "antithesis" of radical freeing up of the economy.

What this conference may mark is the first trace of the emergence of a "synthesis" of the two strands, the final form of which we can only speculate on at this stage.

President George Chapman invited delegates in a sense to think in terms of a synthesis when he talked to Young Nationals.

There he posed a series of questions about what sort of society they might like in 1990 and urged them to consider the policy implications of such a goal.

That is not conservatism. Usually it is the socialists, social democrats and other assorted reformers who set political discussion in such a framework.

Conservatives abhor change, though preferring to minimise it rather than to attempt to reverse it.

Chapman was clearly expecting, welcoming and encouraging change.

But because the party is some way yet from developing a synthesis, it seems to be travelling down two parallel, but never-touching tracks.

Should not this be pulling the party apart? Yes, according to the logic that afflicts the Labour Party.

That it is not doing so (yet?) in the National Party is partly due to the much more skilled management of top Nat brass.

But the "new" Prime Minister probably has a lot to do with it, too.

Over the past six months the Government has taken a number of decisions that have headed it down the track the party wants mapped out.

This has had a twofold effect. Remits thought up in living rooms and village halls in February at bi-weekly annual meetings had lost their urgency and in some cases their relevance by the time they got to Auckland in July.

One remit wanted the film industry delicensed. For instance, a demand made in a speech from the "Tobacco" remit to delicense the industry.

But they took pity on the. The story of the Wairarapa Labour Party apply had got round.

On Day Three Susan Baker, wife of the Auckland Divisional Chairman, introduced a platform speech from the "Tobacco" remit to delicense the industry.

One remit wanted the film industry delicensed. For instance, a demand made in a speech from the "Tobacco" remit to delicense the industry.

The second effect has been a mellowing of the Prime Minister.

Having long resisted dipping his toe in the water, he has at last been pushed in — and seems to be finding it not so bad after all.

MPs insist he has been much more relaxed over the past two months or so — since about the time the move to Saturday shop trading was announced.

Delegates to the conference were suddenly treated to the same new benign, relaxed figure: present on the platform just about throughout the main sessions, sparking at the question-and-answer session for junior ministers (the very ministers who have been his scourge), in rollicking good humour during his own speech, even one afternoon teatime, kissing some of the older women delegates on the cheek in uncharacteristic smiling friendliness.

Gone was the defensive, tense figure of last year. In was whored the magnanimous assurance the party would be listened to henceforth.

And he was saying more of the right things, more of the things delegates wanted to hear.

But not too much. Spots do not change overnight (or perhaps ever, the still sizable contingent of anti-muldoonists continued sceptically to mutter).

Much of his keynote speech was fragmented, holoakism, punchier but just as disjointed.

One minister was heard to remark suddenly about three-quarters of the way through: "Point of order, Mr Chairman, new material."

The minister concerned is one of the Prime Minister's most loyal defenders in public and most remorseless questioners in private.

That in itself says something about the party's relationship with him. Recognition of the change; but a residual scepticism as to how deep it has gone.

This partly underlay the abortive move to urge older ministers (only some, not, for instance Talboys or Duncan MacIntyre) to step aside.

The sting having gone out of the economic debate, those who argue for a bold new image to fight the election seemed to concentrate their impatience on the oldies who they see as being upheld by the Prime Minister against Chapman's executive's new broom.

For all they got (they were told, in the end, to deal with it in their electorates, if they must, though they did get their message across), they might have better spent their time improving the quality of the catering.

Weak coffee and hard factory-made biscuits is just not up to past National standards — especially for those trying to breakfast on the morning tea after an earnest small-hours hotel-room session on the finer points of political theory (or other equally appropriate matters).

But they took pity on the. The story of the Wairarapa Labour Party apply had got round.

On Day Three Susan Baker, wife of the Auckland Divisional Chairman, introduced a platform speech from the "Tobacco" remit to delicense the industry.

One remit wanted the film industry delicensed. For instance, a demand made in a speech from the "Tobacco" remit to delicense the industry.

This has had a twofold effect. Remits thought up in living rooms and village halls in February at bi-weekly annual meetings had lost their urgency and in some cases their relevance by the time they got to Auckland in July.

One remit wanted the film industry delicensed. For instance, a demand made in a speech from the "Tobacco" remit to delicense the industry.

But they took pity on the. The story of the Wairarapa Labour Party apply had got round.

On Day Three Susan Baker, wife of the Auckland Divisional Chairman, introduced a platform speech from the "Tobacco" remit to delicense the industry.

One remit wanted the film industry delicensed. For instance, a demand made in a speech from the "Tobacco" remit to delicense the industry.

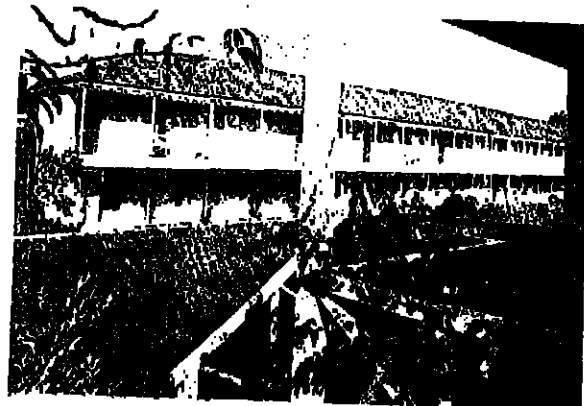
This has had a twofold effect. Remits thought up in living rooms and village halls in February at bi-weekly annual meetings had lost their urgency and in some cases their relevance by the time they got to Auckland in July.

One remit wanted the film industry delicensed. For instance, a demand made in a speech from the "Tobacco" remit to delicense the industry.

This has had a twofold effect. Remits thought up in living rooms and village halls in February at bi-weekly annual meetings had lost their urgency and in some cases their relevance by the time they got to Auckland in July.

One remit wanted the film industry delicensed. For instance, a demand made in a speech from the "Tobacco" remit to delicense the industry.

Improve your drive for more out-of-town business



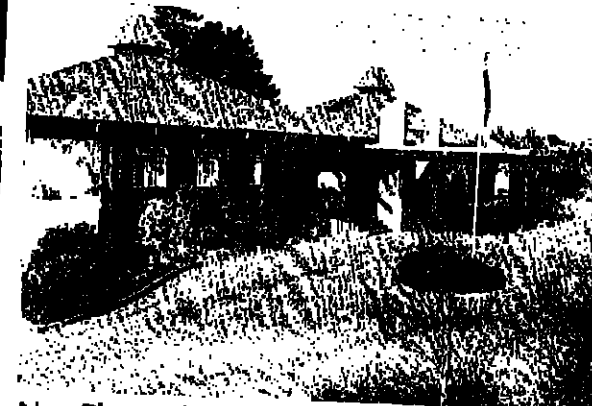
Whangarei: Settlers Motor Hotel A re-creation of colonial architecture and hospitality. Just five minutes from the city, adjacent to Whangarei's picturesque yacht harbour.



Auckland: Poenamo Motor Hotel 10 minutes from the heart of Auckland, on the North Shore. Designed around a beautiful swimming pool courtyard.



Taupo: Suncourt Motor Hotel Beside picturesque Lake Taupo. Our newest hotel to the Group. The perfect central business stopover and ideal holiday stay.



New Plymouth: Westown Motor Hotel Against a magnificent backdrop of Mt. Egmont, a motor hotel of international standard, located only 2 kilometres from the city centre.



Auckland: Mon Desir Motor Hotel Set amidst beautiful native Pohutukawa trees on the North Shore's Takapuna Beach, just 10 minutes from Auckland City.



Palmerston North: Awapuni Motor Hotel A few minutes from the city centre and the racecourse. An ideal location for the visiting businessman or holidaymaker.



Gisborne: Sandown Park Motor Hotel A luxury hotel set amidst beautiful trees and lawns on the sunny East Coast. Five minutes from the city.

These days everyone's driving for improved business efficiency. So are we. Our chain of motor hotels is geared to meet the needs of business. For a start there's a fail-safe message system. Then there's service from people who understand the value of time. And restaurants that know how important

entertaining can be. We'll organise a conference if you need it. All this plus comfort and accommodation that guarantees a good night's sleep. We know our efficiency drive will help yours. Stay with us and we'll improve your out-of-town business. By simply looking after you.

The South Pacific Hotel Network

A better hotel. For better business.



SOUTH PACIFIC HOTELS
A member of the South Pacific Hotels Group

561

Book through
INSTANT FREELINE

Telephone: Auckland 794-660, Wellington 850-754, Christchurch 792-611.
Or your local Air New Zealand office or Travel Agent.

Economics

Feeling the changing pulse of housing needs

Economics Correspondent

THE housing sector is in decline. In 1975 over 33,000 building permits were issued for new dwellings. This number dropped to less than 14,000 last financial year.

Building permits authorising construction of 1073 new dwellings were issued in June this year. This is a decrease of over 8 per cent of the 1168 permits issued in June last year. Of these permits issued, a greater proportion are for alterations rather than for new dwellings.

In July, the National Housing Commission's annual housing seminar had a different emphasis from previous years. Instead of analysing methods of financing low income families into houses, speakers concentrated on methods of evaluating whether housing needs are being met.

There was agreement that traditional analysis of housing need had failed to take account of regional variation and changing household patterns with a tendency for more single person households. Economic conditions were trapping people into housing they did not want to live in.

David Thorns of the University of Canterbury noted that "housing is unique among consumer goods as it affects both the physical and emotional wellbeing of individuals. For most people a house is the single most important commodity purchased. In New Zealand, households spend on average nearly one quarter of their income on housing services."

"Housing is a durable product, so inadequacies in planning and design remain with us for many decades. And it is important to see beyond the house to the context in which it is placed and the kind of physical and social environments that have been created by urban and suburban development," he said.

Housing provides shelter, a form of investment and wealth, it represents status and provides psyche-gratification (the opportunity for the expression of individualism and

independence and an outlet for creative energy).

The access of different groups to housing depends on price constraints and the housebuyer's economic capacity. "Current changes in housing finance policy are likely to have considerable impact upon the access of particular groups to owner-occupation. Those with fewer alternative options due to their relatively low income and capital accumulation potential are likely to be affected most by a contraction of Housing Corporation mortgage activity."

Judith Davey of the Urban Research Associates said that "the capacity to buy is being reduced as the costs of house purchase prices, but perhaps more significantly, repayments on mortgages — rise faster than the increase in average incomes. Home-ownership is becoming a less attainable goal for many."

The National Housing Commission has identified a growing group of "housing deprived citizens" — those households falling outside the criteria for Government assistance, but without the means to compete successfully for housing finance on the open market.

Home-ownership is becoming a less-attainable goal but it might be becoming a less-attractive goal for some. The costs of renting have not risen at the same rate as the costs of house purchase, relative to incomes. These financial considerations in combination with social change could explain the results of Thorns' study that show renting has become a normal part of the life-cycle of individuals here.

There is a tendency to rent at an earlier age and for a longer period.

Davey identified seven types of special housing needs — people living alone, unrelated groups, large families, ethnic minorities, solo parent families, people in need of transitional housing and housing for handicapped people.

Single person households accounted for 16 per cent of total households at the 1976 Census, an increase of one-third over the number in the 1971 Census. The majority are

elderly people, but there are also a number of working age adults who are unmarried, widowed, divorced or separated. Growth in owner-occupier flats has helped to fulfill their housing needs.

The needs of many with special housing needs could best be met in inner-city areas. Although the expansion of the central business district squeezed out inner-city housing, Davey notes recent attempts to re-invigorate inner-city housing.

She cautioned that inner-city housing schemes should consider the types of people seeking accommodation. "A balance must be struck between ownership and rental accommodation and between public and private rental provision."

Judith Johnston, a visiting scholar from Massachusetts Institute of Technology argued that "methods which have relied on population growth

predictions and estimates of housing targets to monitor changing housing needs have failed to respond to changes in social and economic variables such as increased emigration, and are often insensitive to the critical variables that influence need, such as the growing desire to form independent households."

The main thrust of Johnston's paper was to consider questions such as what does the term "housing need" really reflect; what variables affect or influence housing needs; what are the implications of changes in economic, social and demographic conditions on policy planning?

Johnston recommended a philosophical change, a methodological change and a change in the sources of information used for assessing housing needs. She suggested evaluation from the bottom up. In other words, people who live in

houses should be consulted and their evaluation of housing conditions should be aggregated into a national policy.

The assessment of housing needs is a political activity and is determined by national estimates which are then disaggregated to regional totals. Regional differences are often masked by national data.

Johnston's field work showed the gap between national and regional perceptions about housing. Local and regional authorities do not recognise any formal responsibility for housing and would not accept responsibility under present conditions. The collection and analysis of data are seen as a central Government exercise and a social distance exists between the levels of Government, which act to impede the development of any regional base to the assessment of housing needs.

A down turn in housing

output has been the inevitable consequence of the contraction in economic activity. Outward migration has further contributed to decreased housing demand.

A turn around in economic activity or the migration trend could increase the demand for new housing and stability in the housing sector in the next couple of years. Research by the Housing Commission provides information so that any new investment in the housing sector can meet changing housing needs.

In line with the Government's strengthening of regional government, a devolution of housing policy-making on a regional level would be desirable. Local Government could design housing policies using funds by regional taxation or secured from Government sources to respond more immediately to market demand.



N.Z.I. Securities Ltd.

EXPORT FINANCE
IMPORT FINANCE
LOCAL TRADE FINANCE
THIRD COUNTRY TRADE
CURRENCY SETTLEMENTS
SERVICING OF TRADE
ADVISORY SERVICES

photokina

World's Fair of
Photography

Photo Cam. Accessories

Exhibition of photography
and film shows

Cologne, Sept. 12-18

'80

For further details
Fairs of Europe

101 Queen St. Auckland Telephone 33-039
or write P.O. Box 3076

Local attractions from the American attitude

A STUDY of American attitudes to a holiday in New Zealand has thrown up intriguing information.

The Tourist and Publicity Department and Air New Zealand commissioned the well-known New York research firm, Louis Harris and Associates, to prepare *A Survey of the Attitudes and Information Needs of Potential American Travellers to New Zealand*.

The survey was carried out in two parts earlier this year. The "first phase" consisted of "20 semi-structured interviews with potential travellers to New Zealand, whose names were provided by the New Zealand Tourist and Publicity Department". They were conducted in San Francisco, Los Angeles, San Diego, Seattle, Chicago and New York City.

The second part of the study consisted of "309 telephone interviews with potential American visitors. The inter-

views averaged about 20 minutes in length and were conducted throughout the continental United States in early February, 1980."

The "motivations to visit New Zealand" lists features which are presently most attractive to potential visitors. They are "its beautiful scenery, the friendly natural people the visitor expects to meet there, and its variety of geographic regions".

Of the total sample, 72 per cent describe scenery as one of our most attractive features, 43 per cent mention the people of New Zealand, and 30 per cent the variety of geographic regions.

The survey reports widespread ignorance of the airlines that fly to New Zealand. "Almost 25 per cent of potential travellers surveyed cannot name a single airline which flies there directly."

More than half (53 per cent)

PETER VO'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

cite Air New Zealand as the airline which flies directly, followed by Pan Am (36 per cent), Qantas (32 per cent) "an incorrect response", and Continental (20 per cent). (Trust those Aussies to benefit from us, while doing nothing).

A profile of Americans seeking information about New Zealand confirms what many New Zealanders would suspect about age groups, after casual observation of American tourists.

The average age is about 45 and many are 50 or older.

Other aspects of the profile will be less well known here. The inquiries have "extensive foreign travel experience and an extremely high level of education. They also report unusually high incomes."

The age breakdown shows that 55 per cent of the sample are aged between 35 and 64, 45 per cent between 40 and 64, 45 per cent between 50 and "75 years and over". Fifty-eight per cent of the total aged were more than 40.

They have substantial overseas travel experience. More than half have taken five trips, and 25 per cent report 11 or more trips.

The survey includes 80 per cent of the sample in the categories from two to 11 or more trips.

This level of experience seems to have particular relevance to our internal tourist setup, because the more experience the travellers have, the more likely they are to know what they want to do and see,

New Zealand the respondent listed scenery, people, and variety of geographic regions as the most attractive things.



rather than accepting blindly what is offered to them.

The survey reports that 29 per cent of the sample have incomes over \$35,000 a year and 51 per cent are above \$25,000. The survey comments: "Not surprisingly, in light of their education and foreign travel, Americans considering visiting New Zealand are relatively well-off. Those who are married have especially high incomes."

It appears that education, foreign travel experience and incomes are inter-related factors. When combined with the age distribution and the cost of travel, the income factor comes into better perspective, because people who have done a lot of travel, and who are in the higher age brackets, could be expected to have above average income.

The sample was given a list of things which people had said was important to them in deciding whether to visit a foreign country. In relation to

Another example of education and income levels appears in the section on newspaper and magazine readership. The survey says that 17 per cent of the sample read the *Wall Street Journal* on a regular basis, and 12 per cent read *The New York Times*. Note: newspaper rates more than 100 per cent. Time is top magazine with 35 per cent of the sample, followed by *National Geographic* (33 per cent), *Reader's Digest* (19 per cent), *Newsweek* (18 per cent).

Shock, horror; three per cent of the sample read *Playboy*; regular basis *Penthouse* (1 per cent) appear on the list, so we are probably safe from an influx of depraved middle-aged men seeking our famed beaches and upsetting Helens M.P.s.

Electric exports provide

CHRISTCHURCH based electrical equipment manufacturer, PDL Holdings Ltd came right with a 54 per cent profit lift in the year to March 31, 1980.

Group profit rose to \$1,353,717, compared with \$876,866 in 1979, although the latest figure includes some capital gains which were unearned in the preliminary report issued on July 25.

The dividend rises one per cent to 16 per cent (8 cents share) and net profit covers the payout 3.3 times.

The shares sold at \$1.20 before the result, having risen 26.3 per cent from 1980's low of 95 cents.

The price/earnings multiple is 4.58 at \$1.20 for the 50 cents units, and the dividend yield is 6.66 per cent.

Exports appear the key to group performance in the latest year. While total sales rose 26 per cent to \$21.1 million, exports were 43 per cent higher at \$2.1 million. In the three months since balance date to June 30 1980, exports increased 107 per cent, a movement which should set the company on the way to another good result in the 1980-81 year.

The effect of the rapid rise in exports shows up in the relationship of tax to pre-tax profit. Tax was 18.3 per cent of pre-tax profit, compared with 22.9 per cent in 1979.

PDL is the country's largest manufacturer of electrical products, such as light switches, fittings, switches, electromotors, plugs, sockets, wiring devices and so on.

Group products are found in virtually every building, a success which creates problems. The group has 90 per cent of the local market for some products

and therefore the expansion rate is limited, (apart from items used as replacement equipment) by the growth rate in new dwellings and other buildings. The downturn in new housing construction in recent years probably affected sales. The general economic cycle influences any company with a dominant share of the available internal market.

The group has emphasized export sales and production. Exports last year were 9.9 per cent of total turnover, compared with 8.5 per cent in 1979. PDL exports in two ways. One is direct sales to various markets in the Pacific region. The second is through the company's Malaysian subsidiary PDL (Asia) Berhad, a manufacturing and sales company in Selangor State, West Malaysia.

PDL owns 80 per cent of the Malaysian company, under an agreement with the Malaysian Government the company is to export about 60 per cent of production.

PDL (Asia) imports and exports from New Zealand, adds other items, and exports the finished products to various markets in South-east Asia, Middle East and beyond. This year's preliminary report shows the United Kingdom as the largest market.

The company's agreement with Malaysia, under which PDL exports about 60 per cent of production, is a success. PDL (Asia) exports to various markets in South-east Asia, Middle East and beyond. This year's preliminary report shows the United Kingdom as the largest market.

Despite the trend toward slower growth in most regions, there continued to be wide va-

Analysing annual accounts: NZ Forest Products

PREPARATION of the NZ Forest Products annual report must be a communication headache.

The financial information includes a sales breakdown by product groups. How many companies in New Zealand could put \$24 million in sales under the wash-up heading "other"?

The table compares Forest Products divisional sales for 1979 and 1980 on the basis of a chart in the report. We added the percentage figures.

"Other" had the largest percentage increase, but part of the reason was the protracted strike at Kinkaid. Paper sales were down as a percentage of the total, and also recorded the smallest annual increase.

The strike closed the pulp, paper, timber and plywood operations for 12 weeks, but it seems to have affected paper sales more than others. Part of the explanation may lie in a rundown of stocks on hand, thus preserving sales revenue in some divisions.

Production figures show that output of pulp, paper, and sawn timber fell in the 12 months to March, 1980, while paperboard, wallboard, multiwall bags and plywood rose, some by relatively small amounts.

Another clue to a possible stock rundown is in the balance sheet. "Production materials" stood at \$30.3 million, compared with \$29 million in 1979, "partly manufactured goods" accounted for \$3.7 million (3.5 million), but "manufactured

goods" was down from 1979's \$47.1 million to \$46.4 million, resulting in an overall stock increase of only \$70,000 to \$80.3 million, before making price increases into account.

In the absence of comment in the report, it is impossible to make more than a guess at the stock changes. No doubt the company will point out the correct interpretation if the guess is wrong (we hope). Apart from the revenue and profit lost from the strike, Forest Products' profit and loss account shows a substantial increase of \$4.3 million (31.8 per cent) in "interest cost", an amount which includes exchange losses on overseas loans for the purposes of the calculation.

Higher interest rates, and the depreciating New Zealand dollar, were responsible for interest moving from 4.2 per cent of the sales dollar to 4.6 per cent, the only expense item to show a significant growth proportionate to the sales dollar. Materials went from 55.4 per cent to 55.8 per cent, but that change is comparatively insignificant, although representing a solid increase in dollar terms.

The accounts carry a note that adverse exchange rate movements amounted to \$8,854,000 (\$1,968,000 after tax), of which \$2,679,000 (\$1,549,000 after tax) was charged against profit.

That is the other side of the tax incentive coin when a company operates extensively

COMPANY SALES — \$ MILLION

Product	1980	Per cent of Total	1979	Per cent of Total	Per cent increase 1980 on 1979
Pulp	46	11.2	37	11.0	41.2
Paper	139	33.7	127	37.9	9.4
Paperboard	46	11.2	33	9.9	39.4
Building Materials	134	32.5	102	30.4	31.4
Multiwall Bags	23	5.6	19	5.7	21.1
Other	24	5.8	17	6.1	41.2
Total	412	100.0	335	100.0	23.0

in overseas markets, and uses substantial offshore borrowings to develop the business.

Further indications of Forest Products' size are seen in the asset figures. The company has a vehicle and "mobile equipment" fleet with a book value of \$14.5 million (cost price \$34.3 million).

That item alone makes the company one of the largest transport operators in the country.

The 1980 report covers most of the essential points adequately, but there are two quibbles worth attention.

The first is the report's layout. In order to ferret out the financial information included here, it was necessary to jump from section to section, to the notes, and to graphs which appear in a special section.

There seems no reason why the sales breakdown cannot be included in the profit and loss

account, or in a note, which is its logical location. That also applies to the "distribution of sales dollar" table. If a company discloses the information, the profit and loss account or a note to avoid cluttering the revenue statement, is the best place.

The second point relates to the old problem of forests and their "worth" or value. Forest Products says forest is recorded at cost, and that annual main-

tenance protection and management costs are treated as revenue expenditure and charged against operating profit for the year.

Assessment of appropriate values for standing timber on an annual basis is a protracted task, since the timber grows daily. But the company's forests are "worth" considerably more than the \$99.7 million in the books.

Tasman Pulp and Paper gave shareholders a better idea of value when it included the government valuation of forest land plus the insurance value of the crop. "Value" doubled as a result.

In view of Forest Products' reluctance to present a statement of inflation adjusted accounts (one of the reasons is the problem with valuation of assets which include capital intensive forests), information on realistic value of the vast forest areas would be useful.

A case history we hate to mention.

PLEASE READ AND CIRCULATE AS QUICKLY AS POSSIBLE. PUT PAGING OF ARTICLES YOU REQUIRE INDEXED IN THE APPROPRIATE COLUMN.

Name	Initials	Date	Index
R. ROBERTS	RR	7/15	1
P. REID	PR	8/5	
K. McDONALD	KM	8/5	
J. CARTER	JC	1/5	1
G. THORP	GT	2/5	
R. RICHARDS	RR	12/5	1
P. ANDERSON	PA	1/5	1
J. PATE	JP	4/5	1
J. JONES	JJ	1/5	
R. CHESTER	RC	1/5	

NATIONAL BUSINESS

Mosgiel receives on textile rating

Inside

THE WEEK

COMMENT

POLITICS

ECONOMICS

SPORTS

Recently, we came across a company that has nineteen people on its circulation list for a single copy of National Business Review. That's not good news for us, eighteen of those readers, or the development of a lively, free and enterprising press in New Zealand.

Yet it's no isolated case. McNair research suggests that, on average, every copy of National Business Review is read by about eight people.

There are three reasons why this is a sad state of affairs:

- NBR is written for its subscribers... written to be relevant the day it lands on a desk or through the letterbox. Imagine how stale the news and opinion is if you're number nineteen — or even number eight — on a circulation list!
- Long internal circulation lists cost companies more than they save. Photocopies are expensive... opportunities are lost and problems worsened by hold-ups of relevant news branches need to know as much as head office.

During the last 10 years, National Business Review has grown into a gutsy, comprehensive weekly that probes into business, economics and politics like no other publication in New Zealand. We have consistently ploughed back profits into more and better coverage. Imagine the job we could do if the seven out of eight who read but don't buy NBR all became subscribers!

There are some more pretty compelling reasons for becoming an NBR subscriber: you'll always read NBR first; NBR is tax deductible; a subscription to National Business Review costs you 32 cents a week — as much as one cup of coffee and a very small sandwich. There are also some very good reasons (better informed executives; recognition of staff) for companies joining NBR's V.I.P. Subscription Scheme. To subscribe to NBR or for more details about the V.I.P. Subscription Scheme fill in and post the Fourth Estate Subscription Service coupon elsewhere in this issue.

Stand easy! On Supa-Duck

Supa-Duck. Heavy duty sections of specially formulated PVC, fused together into a strong continuous flexible duck-boarding. Letting every worker stand easy, all day. Supa-Duck is great protection wherever feet need a little help to stay dry and comfortable. All through factories, in boats, shower rooms, laboratories. Around pools, in

laundries, behind hotel bars. Put Supa-Duck under foot wherever people are on their feet. They'll be more comfortable. And that means greater efficiency and job satisfaction. Less fatigue and tension. Supa-Duck. It's tough. Lasting. Functional. In three grades. Industrial, domestic and Supa Grip.

Please send me Supa-Duck information and prices.

Name _____
Address _____
Approx. length interested in _____
Post to: Ronald Griffiths Ltd
Wellington PO Box 737 Telephone 858 736
Auckland PO Box 1755 Telephone 742 028
Hamilton PO Box 1516 Telephone 751 178
Christchurch PO Box 22 091 Telephone 881 003
Dunedin PO Box 578 Telephone 778 978

Rolls and special lengths
Rolls up to 12 metres long by
91 centimetres wide (39" x 36") and cut lengths
as required up to full roll.
Colourways: Blue on black, avocado green
on black, orange on black, black on black.

IF YOU'RE NOT GETTING YOUR SHARE, YOU MAY BE JUST IN TIME!

Add Newsweek to your media mix and experience the luxury of extending your reach without spending more money!

If you think that sounds a little too good to be true, ask your Agency to dig out our two booklets "Using Time?" and "Newsweek and 10 Business Magazines Compared". The evidence for our case is all derived from current McNair Print Readership Surveys and will open your eyes to one of the most cost-efficient magazines in New Zealand today.

Here's a sample comparison from the study, illustrating the way in which Newsweek can be included in a media schedule at no extra cost, with startling results:

TARGET AUDIENCE: Lawyers, Doctors, Accountants, Scientists etc. (Socio-economic level 1)
POTENTIAL REACH: 105,000 MEDIA: MAGAZINES - FULL PAGE 4 COLOUR

SCHEDULE 1	SCHEDULE 2	SCHEDULE 2 OVER SCHEDULE 1
Insertions	Insertions	EXTRA COST
TIME 8 at \$1,451 = \$11,608	TIME 6 at \$1,451 = \$8,706	= \$20
NEWSWEEK 0	NEWSWEEK 6 at \$487 = \$2,922	INSERTIONS = +4
TOTAL: 8 = \$11,608	TOTAL: 12 = \$11,628	REACH = +12,000 (11.2%)
REACH = 51,000 (48.5%)	REACH = 63,000 (59.7%)	GROSS IMPACTS = + 2,000
GROSS IMPACTS = 256,000	GROSS IMPACTS = 258,000	AVERAGE FREQUENCY = - 0.9
AVERAGE FREQUENCY = 5.0	AVERAGE FREQUENCY = 4.1	

Clip this coupon for our free booklets "USING TIME? USE NEWSWEEK AS WELL FOR BIG GAINS IN TARGET AUDIENCE AT NO EXTRA COST" and "NEWSWEEK AND TEN BUSINESS MAGAZINES COMPARED".

OK, surprise me. Please send me the above literature.

NAME

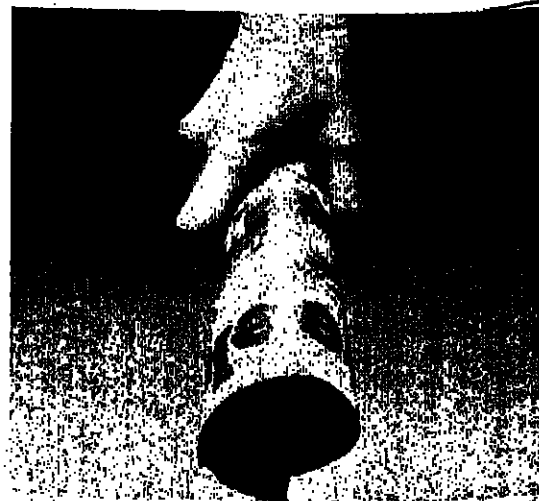
ADDRESS

COMPANY

REACH FOR NEWSWEEK

Mr. J. Scull, Media House (NZ) Limited,
P.O. Box 37094, Parnell, Auckland, 1.

Just one of 15 cases illustrated in the booklets where the addition of Newsweek to a schedule can extend reach considerably for no more, and often actually less money. On cost efficiency alone, Newsweek warrants inclusion in your agency's media mix. If it's not there, ask why. Because if it's not there, chances are you're not getting your share.

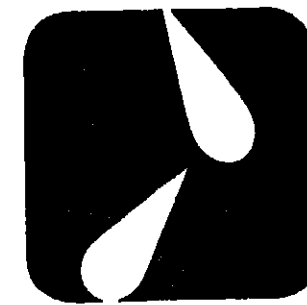


Scores with drops

by Grev Wiggs

THE two drops of milk which won the New Zealand Dairy Board's corporate identity design competition were not everybody's cup of tea.

"The design met with a mixed reception," said Neville Martin, manager of the dairy industry information services.



"Most people would have been more comfortable with a traditional design. But this is new. It will grow. It will be terrific for animation."

It was described by the judges as a "fresh dynamic design easily recognised anywhere as milk in flow."

The winner, from a field of 400, was Rick McKinley, creative director of W H T Advertising and Marketing, Auckland.

The computer commercial

PHILIPS took over the colour television leadership role in 1973 with the certain knowledge that it would be the target for the whole industry, that its position of technical superiority would inevitably be eroded and that marketplace strategy would assault its front-running position.

This year, on the brink of launching an entirely redesigned range of CTV, it faced strong opposition. Each competitor was equipped with high technology models, unrestricted by hire purchase restraints and some were prepared to offer a five-year guarantee.

But Philips had a new proposition and its new models featured technical innovations with demonstrable advantages.

The problem was one of restating and reaffirming the leadership image of superb picture quality while establishing for the new range a status of advanced and beneficial technical achievement.

This task fell to a single television commercial (and its adaptations) which broke entirely new ground in using the electronic wizardry conjured up in the service of television itself.

Those who have studied the current Philips "New Horizons" commercial and its variations will detect a space-age quality that does not quite belong to reality or fantasy.

The commercial capitalises on the current wave of computer-generated video effects to present realism in a surrealist fashion.

With a knowledge of the computer applications, a storyboard was developed by Inglis Wright's creative director, Terry Hancock, and assistant creative director, Peter Avery, in a teamed effort.

For the technical facilities it was necessary to go to Sydney where Image East used its scanimate (a visual synthesiser) to produce flexible images based on real life video. The musical score and sound track were then produced and matched to the video.

At the time of its execution, the commercial was claimed to be the most technically advanced video production ever made in Australia.

The new commercial was backed by print colour in the *Litener* by point of sale and full colour literature. Within 24 hours of its release, dealers were reporting direct sales throughout the country. For the post-release period, at least, sets were being allocated.

For all the involved technical complexities required to produce the commercial, the objective was simple and direct: to produce an arresting and memorable video image in order to sell just that... video images.

Professional union touch

TRADE unions, it would seem, are increasingly employing professional skills to communicate with their members and the public.

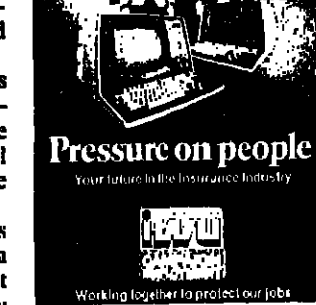
As a result, their messages gain in objectivity and effectiveness and are free from the special pleading and emotional overtones that characterise the passionate banner waver.

The Insurance Workers Union has set out to conduct a programme of involvement with its members: *Campaign Employment*. The issue concerns the introduction of computers and new technology and consequent effects on employment.

Key piece is a sophisticated 12-page booklet printed in two colours with four colour cover which spells out the union case in photographs, cartoon and

text. Eight thousand copies of the booklet were printed for union members and dissemination to the media and parliamentarians.

The copy is moderate in tone, employs reasoned argument, clearly sets out the issues from the union's point of



view and denotes the action goals.

"We regard it as part of our education programme," said national education officer of the IWU, Peter Fowler, "and we have had an extremely good reaction. It is being read thoroughly."

Newspaper advertising was planned to coincide with stop-work meetings throughout the country and to inform the public of the reasons for this action.

Ads and booklet were produced by The Ideas Trading Company, a Wellington creative shop less than a year old, which had as one of its original objectives the extension of professional creative services to non-commercial organisations.

"In this area we have, so far, dealt mostly with charitable appeals," principal Douglas Wilson told *Admark*. "This is our first major project for a trade union. It's a professional attempt to put the issues clearly and unemotionally."

Because the IWU is using communication techniques which are as available to it as they are to employers, it suffers no disadvantage in the industrial "marketplace."

There are still unions which, although capable of spotting a demarcation issue in a flash, believe that they alone can present their case in public print with stunning conviction.

Centenary competition

ENTRIES are steadily coming in for the New Zealand Meat Producers Board competition for a centenary symbol with \$2500 being offered for the winning design.

The first frozen cargo of meat left New Zealand in 1882. The board is looking for a logo which will convey 100 years of successful exporting experience and reinforce confidence in New Zealand meat products now being marketed in nearly 100 countries.

It is intended that the design should, with modification or development, continue to be used beyond the celebration of the centenary and become a permanent meat identification for use in all markets.

The winner will, if available, be invited to undertake the development work required to adapt the design for its many applications.

The competition is open to professionals and students in the design and graphic arts field. Closing date for entries is August 15.

NEW ZEALAND TRADE CENTRES

offer New Zealand businessmen quality office facilities overseas from which to secure and develop export markets

If your Company needs to have a representative on the spot in Australia, Singapore or North America, whether temporarily or permanently, an office is ready to move into right now in the most appropriate of settings.

New Zealand Trade Centres are now operating in Sydney, Singapore and Los Angeles, all of which offer accommodation on both a Visiting and Resident membership basis.

Membership entitles you to the following:

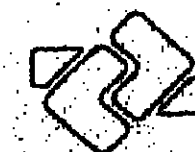
- * Your own fully-furnished office
- * Secretarial and reception services
- * Access to photocopy and telex facilities
- * Display space and introduction to efficient warehousing
- * Conference room facilities

The Trade Centres are administered by the New Zealand Export-Import Corporation and form part of the Corporation's programme to assist New Zealand businessmen in developing their export trade. Costs are held at attractive levels and qualify for tax incentives.

Broadbank



For Corporate Advice



NEW ZEALAND TRADE CENTRES

• SYDNEY • SINGAPORE • LOS ANGELES

For more information please mail this coupon to:
New Zealand Export-Import Corporation,
P.O. Box 11-332, Wellington.

Company Name

Address

Phone

Contact

A boardroom exercise in lateral thinking.

The answer wasn't obvious. It took a bit of Lateral Thinking. When Swissair was confronted with the fuel crisis, they decided the best course of action was not to follow international airline trends.

Certainly not to cram more seats into the aircraft and cut back the in-flight service.

They just continued doing well what they have traditionally done. And that was to provide passengers the most comfortable, spacious ride in the world.

They knew that passengers still wanted to travel in comfort and style.

Connect with Swissair at Singapore, Bangkok, Hong Kong, Jakarta or Manila on your next business trip to Europe.

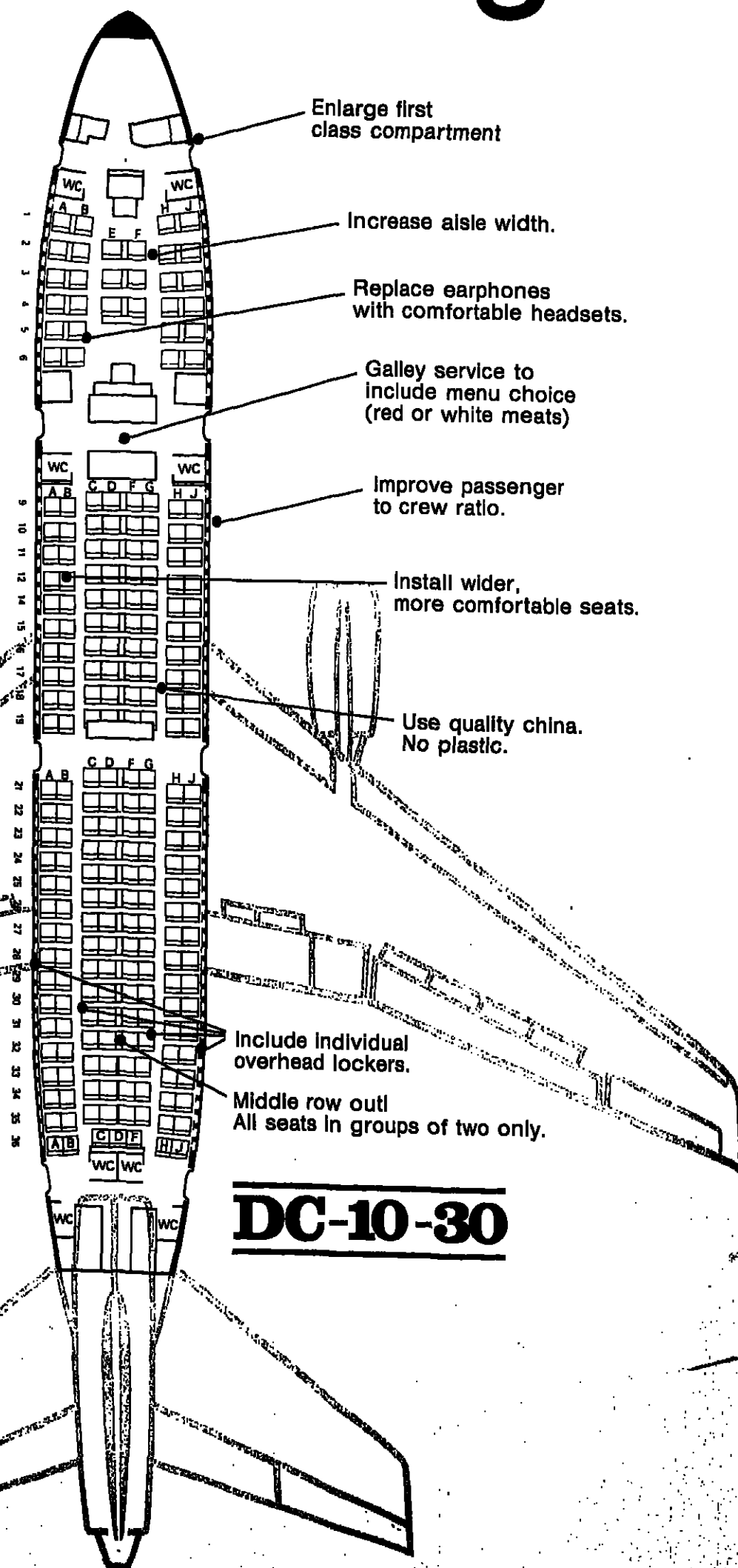
You'll be delighted to discover the joy of what we call 'Swiss Class'. Everything from the comfort of flying with one less seat per row to being served a choice of cuisine on china plates.

Having an individual overhead locker.

And when you purchase a full fare ticket, the opportunity of reserving here in New Zealand, the seat of your choice on any long haul Swissair flight in the world.

Do a little Lateral Thinking yourself.

Don't fly on any airline. Make the decision to fly Swissair, 'Swiss Class'.



swissair

1 Queen Street, Auckland, Phone 372-341

Insurance

Scheme offers motor dealers agency commission

by John Sloan

"MOTOR Industry Insurances Limited will provide an essential requirement to all dealers — certain, quick, insurance cover, with the profits being returned to the shareholders."

That's the come-on in the recently launched prospectus aimed at motor dealers, who are also promised an agency commission for business introduced to the proposed company.

Establishing the company depends on one critical point: the \$600,000 deposit required by the Insurance Companies' Deposits Act. If, by September 30 1980, \$750,000 is not subscribed, the venture will not proceed and the subscriptions will be refunded.

The company seeks \$2.5 million in subscribed capital and its primary aim is to "carry on the business of insurance and assurance of all types and in particular to provide insurance suited to the needs of the motor industry."

A clue to the reasons for establishing the company appears in the prospectus: "What it means to you — when a motor vehicle dealer sells a car the question of insurance always arises."

"Generally, acting as an unpaid agent of existing insurance

companies, the dealer/salesman arranges insurance for car purchasers. The dealer to public car sales for the 12 month to October 1979 (both new and used) was 228,102 cars. Based on a conservative annual premium of, say, \$150 a car, insurance arranged by dealers/salesmen would weekly provide more than \$500,000 in premium income to insurance companies."

While this potential weekly \$50,000 premium income appears correct, it overlooks two vital points.

Firstly, many vehicles are purchased by companies and will be insured by the owner's fleet policy which enjoy preferential premium rates anyway.

Secondly, for trade-ins there is usually a refund of premium due to the replaced vehicle. So the potential premium income is already partly consumed.

The promoters of Motor Industry Insurances Limited have calculated their likely minimum annual income:

This conservative calculation is interesting for two reasons.

Firstly, there has been no assumption made to show the effect if the company receives increased support from every licensed motor vehicle dealer throughout New Zealand. Secondly, and more importantly, the income is principally

derived from investment on various funds.

The proposed directors of the company are on record as saying that the company is not interested in "cut-price insurance" and this is evident from their estimate of "underwriting profit of 0.5 per cent a year of annual premium income".

In other words, 99.5 per cent will go in claims, administration costs, reinsurance and reserves for catastrophic claims. But what will happen if a serious underwriting loss is incurred is not clear.

Premiums could be increased to an uncompetitive level, business could drop off, investment cash flow earnings could reduce and the shareholders' returns could be proportionately reduced.

Considerable thought has gone into the prospectus. The proposed directors clearly recognise the danger signs of motor insurance: rampant inflation of labour costs; spiralling costs of spare parts; intense, often irrational, competition for the premium dollar; and surplus capacity in the motor vehicle insurance market.

Having regard to the potential premium income from all the motor vehicle dealers throughout New Zealand the scheme should succeed.

But the insurance business is intensely competitive and the new company cannot hope to get the entire support from all motor vehicle dealers.

For instance, Wrightcars have a special competitive nation-wide motor vehicle insurance scheme arranged by insurance brokers, Hogg Robinson NZ Ltd. And many other dealers have agency arrangements which bring them commission income without having to invest in an insurance company themselves.

Then there's the traditional competition from other insurers. People who have always insured with, say, the State Insurance Office, will naturally contact them for a quotation prior to accepting the premium submitted by Motor Industry Insurances Limited.

But the scheme is not based on insuring motor vehicles alone. The company also makes provision to cover the additional insurance risks which could provide a substantial premium income in addition to

motor vehicle premiums. The risks include:

- Immediate optional protection in the event of accident, sickness, or death for any car purchaser to meet their payments under finance agreements at competitive rates and conditions.

- Dealers protection under a policy including options for cover against: finance agreement default; warranty claims; excess loss over payments under Accident Compensation together with sickness and death covers; fire, flood, burglary, theft, malicious damage, loss of profits, and all other types of insurance cover over the dealer's asset including stock and place of business; house, contents, and all other personal insurance for licensed motor vehicle dealers, licensed motor vehicle salesmen, and their families.

Other insurers are expressing a cautious reaction to the proposed establishment of this new company. Many insurers

found motor vehicle hire purchase schemes a graveyard and they were lumbered with drivers with appalling accident records. Another costly exposure is that thefts of vehicles and malicious damage to the vehicles in open car yards have created serious losses for many insurers.

The new scheme does not assume it is going to capture the entire motor vehicle dealers' insurance market — all it wants, indeed expects, is a portion of the market. And the promoters believe they have the basic management skills to make a go of it.

Their prospectus includes the comment: "Motor Industry Insurances Limited will be started, owned and run by shareholders who have already started, owned and run their own business in what is often said to be the toughest line of enterprise. With this wealth of knowledge guiding it the company must be a success."

Time alone will tell.

Life insurance business standing the test of time and inflation

by George Harper

THE life insurance business is not known for being innovative.

Actuaries — the people who apply the mathematics of probability to the calculation of risk of the happening of insurable events — are a conservative lot. But, they are the linchpin of any life office. Historically they have been responsible for plotting a safe course through uncharted waters for the life insurance industry for more than 100 years.

I see little or no change in the basic contracts that have stood the test of time the world over.

Despite galloping inflation and rising costs over the years, premium rates have remained stable for 25 years and policyholders have continued to pay their premiums in the depreciating currency.

Reversionary bonuses represent, in part, the policyholder's "return" on investment. Bonuses are at an

all-time high and provide a hedge against inflation.

But I would like to see life offices which are operating on the basis of mutuality, writing up their assets to a more realistic level, particularly in times of high inflation when capital appreciation gains momentum. The policyholder (or estate) who enters a contractual commitment over the term of the policy would be rewarded in direct relationship to the investment earnings of the life office expressed in a substantial terminal bonus.

The trade unions in Australia will be the trend setters in the field of staff superannuation as part of the "packaged" deal for all workers. This must affect trends here.

I can see our trade unions establishing and investing their own superannuation funds in the next 10 years. Such funds could reach massive proportions which would give the unions the opportunity to become major shareholders in all key industries.

The effect could create an imbalance in the economy.

The trained career agent with professional qualifications, will continue to be indispensable. Life insurance has to be sold on a person-to-person basis.

The current rash of expensive full-page newspaper advertisements with clip-out coupons stressing the fact that "no salesperson will call" will never supplant the personal service provided by the agent.

My personal achievement could be regarded as the "Everest" in life insurance sales in New Zealand but others will follow in time. I have had the support of a good team of "sheepas" — albeit personal clients and companies who helped me to be the first to reach the top.

GEORGE Harper is a senior consultant with the AMP Society and is the first life insurance agent in this country to produce more than \$100 million in new business.

INVEST IN A FACTORY

CAPITAL GROWTH — GUARANTEED RENTAL

Two-Yearly Rent Reviews — Good Initial Returns available from \$24,750

It has long been recognised that the soundest form of investment is real estate, and in today's economic climate, the soundest form of real estate is LEASED INDUSTRIAL INVESTMENTS.

We can offer securely leased factories from as low as \$24,750, all with two-yearly rent reviews which will conservatively reap a 100% capital growth within the next 10 years, and in addition supply a good return in the meantime.

If you have \$8000 or more to invest, this is your opportunity.

Contact:

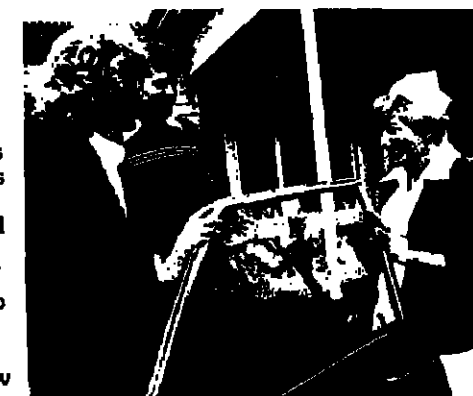
PIONEER DEVELOPMENTS LTD

PO Box 21-431, Henderson.

Phone HSN 81-104. After hours GLE 4288.

Have you considered a health care cost protection plan that also protects your personnel from rapidly rising fees?

You'd do a lot better by talking to Group Health



From management peace of mind comes performance — from settled staff comes motivation and morale. Whether you have a plan operating for executives and staff or not, you'll find we do better for you. We do better by offering a choice of cover to suit everybody's situation. We do better in the way of claims because we refund 90% of the actual expenses incurred. We don't dangle the hook of low subscriptions baited with an unpalatable payout because we do not use a schedule of average New Zealand costs which vary in different cities and never keep pace with inflation.

A subsidised plan with Group Health gives you immediate cover and current surgical or medical conditions are accepted for those joining the group.

Whatever the bills add up to — you pay only a tenth. That's better for you — better for staff. Better get on the phone, or write for full facts.

Phone or write to your nearest Group Health Representative.

Phone: Auckland 771-556, Box 37-107
Wellington 735-512, Box 3880
Christchurch 64-930, Box 2410
Dunedin 770-520, Box 1231
Invercargill 75-385, Box 1087
Gisborne Box 1001
Napier 447-476, Box 322
Palmerston North Box 981
Rotorua Box 1506
Wanganui Box 487

HEAD OFFICE: ELIZABETH STREET,
PRIVATE Bldg. TAURANGA
PHONE 89-774

Group Health Care

— we do better for you

Group Health Co-operative Society Ltd.
A non profit co-operative society affiliated to the
International Federation of Voluntary Health Service Funds.

The National Bank of New Zealand Limited announces...

VISA Company Card

The advantages that have made VISA the world's No. 1 currency are now available as a Company Card. And there are other advantages too. VISA Company Card goes further, with specially designed systems that will benefit both your company and your executives — like the comprehensive billing system that releases your accounting staff for more important tasks.

- Direct time savings.
- Direct financial savings.
- And sheer convenience.

If you want to know more about National Bank VISA Company Card and the part it can play in helping your company or partnership, contact your nearest branch of The National Bank of New Zealand Limited or the VISA Co-ordinator:

The National Bank
of New Zealand Limited
VISA

AUCKLAND
National Bank VISA Centre
Telephone 778-396
PO Box 4281

CHRISTCHURCH
National Bank VISA Centre
Telephone 64-139
PO Box 714

WELLINGTON
National Bank Marketing Department
Telephone 729-459
PO Box 1791

The National Bank
of New Zealand Limited
Share a world of experience



Commodities

Wool buyers first into fray of futures trading

by Lindsey Dawson

EVERY day at 3.30 pm eight New Zealanders sit down at their telephones for a linked call. Helen Schat in Christchurch chairs the conference and begins the calls. The bids start rolling in. Another day's trading in New Zealand wool futures has begun.

The eight brokers, affiliates of the London Wool Terminal Market Association Ltd, are running New Zealand's fledgling futures market. Their phone link is the first step towards establishing an on-the-floor futures trading system which will be set up when there's sufficient business volume.

The local wool futures market began trading on June 3, and is arousing increasing interest from the country's wool traders and producers. Between 20 and 100 contracts are made daily in futures — agreements to buy or sell a commodity at a fixed price on a certain date in the future.

Wool buyers have been first into the fray. The average Kiwi farmer is taking longer to use the system.

HOW does the futures business work?

Early in the year a farmer looks ahead at his prospects. He has an estimated clip of 105 bales which will go up for auction in December. He works out production costs and determines a profit margin.

The wool futures market price for December is 370c a kilo, clean. He decides to sell five December contracts at this price to cover his production costs and protect profit.

By December, when his wool is sheared and ready for sale, the wool market has fallen to 350c a kg clean. However the grower sells his wool at auction in the normal way and at the same time buys back five futures contracts.

Speculation is a term that the farmer is wary of, but Graham Perrin assistant general manager of Broadbank Corporation Ltd, believes that the traditional way of selling wool clips is much closer to speculation than playing the futures market. "What we are offering is a chance to insure against future downturns", he said.

Futures trading began last century as a means of insurance against the violent fluctuations which can occur in commodity prices.

The local futures market is in crossbred wool. Deals are made

in contracts for 2500 kg clean weight (about 21 bales) of a standard type called 35F2D.

There is, of course, a "loser" and "winner" in every contract. Given the fluctuating state of the world's economy it might seem that the risks are heavy.

The commitment to deliver or accept can be cancelled out by buying back a sold contract or selling a bought contract.

Hedging works because futures markets and physical markets tend to mirror each other as delivery (spot month) is reached.

People who go into the fu-

Market prices and futures prices move together, so the price of December futures has fallen in line with the cash market to 350c a kg clean.

The farmer sold five December futures contracts at 370c and bought them back at 350c to cancel out his obligations to deliver.

So he makes a profit on his futures of 20c a kg clean. He adds this to the price he received for his wool, 350c and 20c = 370c. Thus he has received the price he budgeted for when he took out his hedge.

This means his clip is worth over \$2000 more than if it sold for at auction.

tures market fall into two categories — hedgers and speculators.

The hedger is someone entrenched in the industry who wants to insure against adverse price fluctuations.

The speculator has no intention of actually buying or selling the commodity, but is seeking profits from speculation on changes in futures prices.

Hedging works because futures markets and physical markets tend to mirror each other as delivery (spot month) is reached.

People who go into the fu-

their behalf, adding to our 'invisibles' drain.

"So the local market is only open, at this stage, to overseas speculators or New Zealand speculators with overseas funds, as well as those in the wool industry".

Speculators have an important part to play in the development of the market, Perrin says. "It's a shame that the word has taken on unfortunate connotations. You always have to have people who are prepared to take a risk."

Increasing numbers of contracts will provide a good volume of business which will provide a hedge for the farmers and a chance for the speculators to forecast future wool trends and make the profits which will reward them for the risks.

"We're working towards achieving 150-200 contracts a day as soon as possible," Perrin says.

Some critics overseas are concerned about the stability of the futures industry, but Perrin believes that the controls exist to prevent economic shocks.

"The Hunter Hunt silver affair raised a lot of doubt about futures trading, but I feel that the critics ought to be pleased rather than critical. Hunt's plan failed, and trading continued which demonstrated that the system works."

Every wool futures contract is guaranteed by the International Commodities Clearing House. Participants have to put down a deposit of \$400, and possibly "margins" as well if

the price starts moving against the owner to the extent where the deposit does not cover the difference between the contract and the current price.

Adjustments to margins are made daily and traders receive regular statements summarising outstanding contracts and showing the net open position upon which margins are calculated.

Contracts are closed out by either making or accepting delivery of the commodity during the delivery month, or by transacting an equal and opposite off-setting contract of the same delivery month.

It costs \$40 in commission fees to buy or sell another \$40 to close out.

New Zealand's eight futures brokers, who are affiliates of the London Wool Terminal Market, are: Broadbank; J S Brooksbank and Co; Crown Consolidated; Francis, Allyson, Sykes and Co of Wellington; Mair and Co and John Marshall and Co of Christchurch; Anthony Marquet of Auckland; G Modiano of Clive.

New Zealand wool futures trading began last January in London, but there were administrative problems caused by the time difference and currency fluctuations.

A visit by IWTM and ICCH representatives paved the way for trading to be carried out by New Zealand companies.

"With our direct links to London we now have up to the minute information for assessing the market. Our closing prices are transmitted to London each day so that trading can carry on there when their business day begins," Perrin says.

No moves have yet been made to trade in other commodities, but Perrin sees no reason why a futures exchange cannot be set up in future to handle other primary produce as well.

He emphasises that Broadbank's role is not to trade on its own account but to become the main independent futures broker in the country.

Wipe-out on wave of fortune

THE American futures market has grown sevenfold in a decade.

It has changed from an activity of professional traders and major grain and metal dealers into a form of speculation involving greater numbers of the public and wider areas of the economy.

More and more investors are getting into commodity futures which the *Los Angeles Times* recently called "a fast-moving professionals' game" where amateur speculators are like surfers seeking the perfect wave; their vision is of sudden, exhilarating riches. Reality most often, is a wipe-out.

To a rising chorus of critics, in and out of the American Government, the rapid expansion of these markets and their increasingly speculative nature are putting at risk not just these relatively few investors but vast segments of the American economy.

Unless tighter controls are imposed, they argue, the United States will find itself dangerously vulnerable to sudden economic shocks that could tip it into a recession, or worse.

Futures began in the 19th century, and were used mainly by dealers to protect themselves against fluctuation in the prices of wheat and corn, cattle and hogs.

In the United States commodities players can also place their bets on future trends in the price of gold, silver, platinum,

and heating oil, as well as on fluctuations in interest rates and the value of various foreign currencies.

Last year 70 million futures contracts were traded with a total value of \$3 trillion — up from just 11 million contracts in 1969.

The dangers of an uncontrolled futures market are many, say American critics: Chaos in the commodity markets could disrupt the financial world and threaten the American economy.

While the futures market originated and grew with

agriculture, the liveliest games in the United States have little to do with farming. They are concerned with broader measures of a country's economic health — precious metals and interest rates.

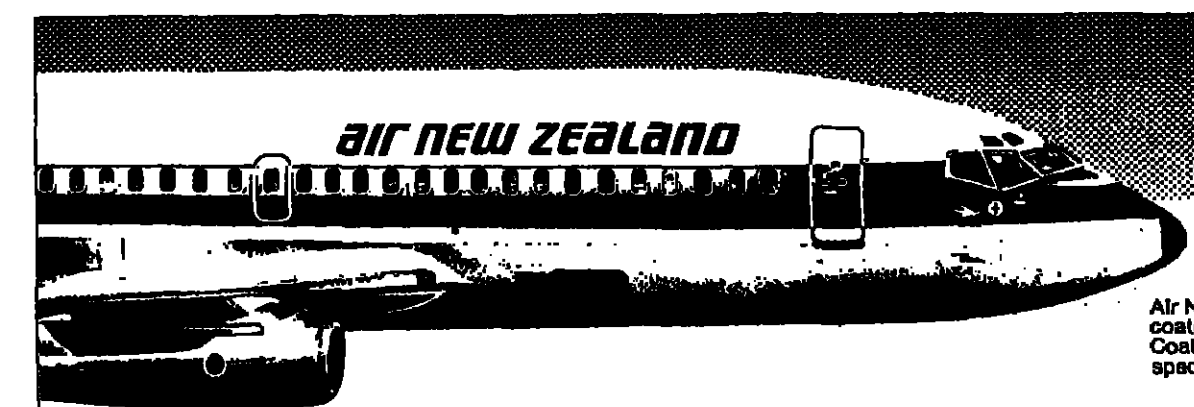
Commodity exchanges and brokers are convinced that more and more banks will want to hedge their interest costs by buying and selling futures in Government-backed mortgages, Treasury bills and Treasury bonds.

The New York Stock Exchange is so interested in the potential for these financial futures that it is spending \$16 million to create a New York Futures Exchange.

It's a sophisticated game, whose players have to know what they are doing. Here it is confined to people involved in the wool business because the Government is averse to open speculation.

"The Reserve Bank's attitude has been that they support the introduction of the new market and they've been as helpful as they can be within their regulations and guidelines," says Perrin.

"Under the present exchange control regulations the Government cannot give *carte blanche* to speculators because if they lost we would have to make payment overseas on



Air New Zealand 737 jets are coated with Lusteroid Surface Coating to Boeing Airplane Co. specifications.

LUSTEROID SURFACE COATINGS
CONSTANTLY PROVE THEIR SUPERIORITY — EVEN AT SPEEDS OF 837 km/h AND HEIGHTS OF 10,000 m

Lusteroid covers everything from transport to industrial finishes, from the inner coating in beer cans to the outer surface of 737 jets!

Lusteroid Paints Ltd is a NZ company that is renowned for the superior quality of its surface coatings.

Lusteroid's reputation is based on a dedication to technological expertise and a service as excellent as its products.

Lusteroid

Box 22122, Otahuhu, Auckland 6, N.Z.
Telephone 578-059, Telex 21515.

Branches at: Wellington, Telex 3902, telephone 888-692
Christchurch, Telex 4781, telephone 842-083
Rotorua, Telephone 82-982

"making surface coatings technology work for you"

LET
IBM

tell you about how they
SUPPORT
WORD PROCESSING

Credit card operators enjoy a steady growth

NEW Zealanders have been whisked quietly — some would say insidiously — into the credit card business in the past two years. And from all reports, they appear to be loving it.

The introduction of the

bank-backed Visa and Bankcard credit cards have extended to the public generally the privileges of credit card buying, previously held only by the affluent, top-market Diners Club and American Express card-

holders.

All the credit card operators report expanding cardholder numbers, expanding merchant numbers and increased turnover.

New Zealanders readily ac-

cepted credit cards despite the concerns of the New Zealand Retailers' Federation and the Consumer Institute.

The public has been won over by the zip-zap fun of advertising, the educational "Saturday morning at the nursery" and the "kids need new shoes again" approach.

After the Visa (it's a debit-whoops-now a credit card) debacle, the three Bankcard banks — ANZ, Waikato and CRA — worked carefully to introduce their card and to ensure that cardholders, merchants and their own staff were well informed on operation, procedures and responsible use.

Their advertising was low key and their public relations won for themselves and consultants Neilson McCarthy & Partners the New Zealand Public Relations Institute's highest accolade, the Cher-

ington Award.

All credit card operators are enjoying steady and encouraging growth. Cardholder applications continue to roll in.

Previously "inactive" cards are becoming active, and merchants are reporting increased business as a result of credit cards.

After holding out in line with official Retail Federation policy, some major retailer outlets are affiliating to accept the cards.

The Farmers' Trading Company, the PSIS, DLR, Hannahs, Bond & Bond Ltd, Whitcoulls and James Smiths Ltd have made the switch to credit cards, giving tacit approval to the new retail spending trend.

More major outlets will join while the operators move into their second phase of affilia-

tion, aimed at doctors, dentists, lawyers and tradesmen.

But competition between operators is fierce. Bankcard's extending international linking with the Mastercard card. But Mastercard will be available only on application for Bankcard holders travelling beyond Australia. Its issue will be selective, and it is unlikely the card will be free, as Bankcard is.

This should dull the "international acceptability" marketing edge which Visa claims.

The Bank of New Zealand and National Bank quote a total of 210,000 Visa cardholders and 17,000 merchant Bankcard has 250,000 cardholders and 17,000 merchants. The 55,000 cards acceptable to outlets, and American Express 50,000 cardholders and outlets.

Card holders receive travel option

Melbourne Correspondent

SOME 2.5 million Australian Bankcard holders can apply for either of the two American bank-backed credit cards, Visa and Mastercard. Purchases overseas on these credit cards will be debited to the holder's Australian account under a scheme which took effect on August 1.

The same terms will apply to these overseas transactions as now apply to domestic Bankcard: 30 days interest-free terms and 18 per cent annual interest rate on outstanding amounts and cash advances.

In the 1978-79 financial year Australian Bankcard holders used them to acquire goods, services, and cash balances worth \$A1700 million, but until now many Australians travelling abroad have had to rely on Diners Club and American Express for credit facilities.

The new international connections will make credit facilities available at 3 million retail and service outlets in 140

countries and cash advances available at 60,000 banking offices.

The average credit limit for the domestic Bankcard is about \$A1000 but limits for the international Bankcard are expected to be within the \$A2000-\$A3000 range, depending on the creditworthiness of the cardholder.

The new international cards are known as Bankcard Mastercard and Bankcard Visa.

A spokesman for Bankcard said that because Australian travellers abroad would need larger amounts, banks might have to probe "a little deeper than they have with the domestic Bankcard." He said everything would appear on the one statement, whether overseas or local transactions.

Overseas merchants could obtain authorisation for Bankcard holders in a matter of seconds through the vast communications network link.

But, he cautioned holders of the new international cards against seeing the cash advance

facility as anything but an emergency measure.

According to Bankcard, the Australian Reserve Bank has directed that the cash advance facility be limited to \$A500 in any seven day period and then only for emergencies. Though the bank itself officially declined to comment on what constitutes an "emergency", or who determines it — unofficially a source at the bank said it would be left to the discretion of the individual banks.

DEPARTMENT OF TRADE AND INDUSTRY EXPORT MARKETING SEMINARS EXPORTING Trade and Industry can help

Many exporters are unaware of the full range of services the Department of Trade and Industry has to offer them.

To outline ways in which the department can help both experienced and new exporters a series of half-day seminars has been organised as follows:

Dunedin — Monday 11 August

Christchurch — Tuesday 12 August

Wellington — Wednesday 13 August

Auckland — Thursday 14 August

The seminars will feature businessmen experienced in making use of the department's services as well as departmental officers involved in assisting exporters.

Seminar registration fee: \$30

For further information please contact the nearest office of the

Department of Trade and Industry:

Dunedin — PO Box 298

Telephone 740-157

Christchurch — PO Box 1350

Telephone 783-280


Wellington — Private Bag

Telephone 720-030

Auckland — PO Box 4259

Telephone 38-189

European Inspired
FORD FALCON
an entirely new class of car!



The claim — An entirely new class of car!
The promise — The Positive Solution to Shrinking Car Values. The car — European Inspired Ford Falcon.

Take a look around — car values are shrinking. Performance, style, comfort and room are being reduced while the money you pay skyrockets. But there's a positive solution. European Inspired Ford Falcon featuring the unique Ford MSU (Maximum Space Utilisation) design concept. The car with a smaller body-shell, but a dramatically larger interior.


Now there's absolutely no need to compromise on space, luxury or performance. Because the pure inside and out efficiency of Falcon provides motorists with an entirely new class of car... and an entirely new class of total ownership economy.

New Falcon boasts a range of sedans, wagons and utilities with efficient 6 cylinder engine/transmission options that allow you the luxury of economic driving, comfort, room to move and up to 9.11/100km (31 mpg).

* Source: "New Zealand Motor World"; from economy run and road test returns for unladen, 80 km/h maximum touring conditions.

And when you think that the distances you travel aren't getting any smaller — it's pretty comforting to know there's at least one car company putting the miles behind you in style.

If you're concerned about shrinking car values, forget them. European Inspired Ford Falcon answers the questions for today. And the possible questions of the future for those whose lifestyle cannot afford to forego the wide open spaces. Your Ford Dealer will give you the keys. European Inspired Ford Falcon.

FORD FALCON 
an entirely new class of car!
Drive ahead with Ford

Ford Motor Company of New Zealand Limited. Specifications and prices subject to change without notice.

Law

Judge clears decks of procedural debris for main bout

by Jack Hodder

THE latest stage in the legal aftermath of the Securibank collapse has cleared the decks from most of the procedural debris to make way for the main encounter. That will be between the liquidator and the large financial institutions (including 10 insurance groups) who were shareholders in Securibank when it crashed late in 1976.

This latest stage is marked by Mr Justice Barker's twelfth judgment on matters relating to the liquidation. To put the judgment in perspective requires a minor historical diversion.

Early in 1977 a consortium of creditors of Securibank was formed with the express object of "investigating and determining the liability to consortium members of the directors and members of the Securibank Group of companies for

all or any losses suffered by consortium members".

The consortium pressed the first liquidator, Keith Crawshaw, to sue the shareholders under s.364 of the Companies Act 1955. That provision empowers the court to order the payment to the liquidator of such sum as "may seem just" by shareholders in a private company who have acted in its affairs prior to the winding up and whose specified acts or omissions have prejudiced creditors.

Crawshaw was not inclined to proceed at that stage. The consortium, fearing the application of a two-year time limit, commenced proceedings against the shareholders and directors in 1978. Those proceedings were in the name of the Auckland Paraplegic and Physically Disabled Association Inc. a creditor of Securibank Ltd, Merbank Ltd and Commercial

Bills Ltd as a representative of all Securibank creditors (some 7,000 in all) and claimed \$50 million in damages from 23 defendant shareholders and directors.

The proceedings were based on s.364 and also s.320 and 321 of the Companies Act (the latter provisions dealing with delinquent directors and fraudulent trading). Further proceedings, alleging fraud and negligence at common law, were issued later in 1978. Both sets of proceedings were ordered to proceed in tandem by Mr Justice Barker in 1979.

With such a huge sum at stake, it was clear that the litigation would be fiercely defended — almost certainly to the Privy Council — and would be very, very expensive. Thus the consortium directed its effort to having the liquidator take over its proceedings. As controller of the remaining resources of Securibank, the

liquidator could afford to fund such litigation.

The death of Crawshaw in May 1979 changed the situation. The consortium had a resolution that the liquidator take over its proceedings passed at the creditors' meeting called to nominate the new liquidator. And the new liquidator, Harold Goodman, after appointment by Mr Justice Barker, reconsidered the position as to the proceedings. In May 1980 he advised the court that he would be commencing new but similar proceedings.

Against that background, the consortium's proceedings came before Mr Justice Barker in a four-day hearing at the beginning of July. The consortium sought an order directing the liquidator to take over or directly fund its proceedings. The defendants sought orders striking out the consortium's proceedings, hurrying up the

liquidator with his proceedings and awarding costs.

At the hearing itself, the consortium consented to the striking out from its proceedings of claims to represent other creditors. Thus the proceedings were reduced to a claim of \$10,000 by one creditor only, the Auckland Paraplegic Association.

Although the question of representing all creditors was conceded by the application (that is, the Auckland Paraplegic Association — in fact the consortium), it was discussed at some length by the Judge. He pointed out that it was a class action and could not hope to embrace all creditors: some were investors, others trade creditors; the state of knowledge of each was relevant to the common law claims; and the assessment of damages depended on individual circumstances. Even under the most liberal interpretations (as applied in Canada) the class action launched by the applicant could not have succeeded.

The alternative procedures — smaller representative proceedings, a test case or multiple plaintiffs — should have been adopted from the outset, he said.

The first contested point ruled on by the judge was whether the liquidator could take over or fund the applicant's proceedings. In holding that he could not, Mr Justice Barker emphasised that a liquidator's role is related to the company itself and only indirectly to creditors and is limited by the terms of the Companies Act. Thus the liquidator could not sue as the agent of the creditors, he could not underwrite the creditors' proceedings and he could not enter into an arrangement whereby he was assigned the creditors' rights of action.

The defendant shareholders also asked the judge to give directions to the liquidator. They wanted him ordered to bring his proceedings within a stated period. Mr Justice

Barker declined to do so on the basis that any litigant has a right to commence proceedings at any time until the statutory limitation period has expired.

But he expressed the hope that the liquidator's intended proceedings (which will involve s. 320, 321 and 364 and common law claims as fraud, negligence and breach of fiduciary duty) be commenced as soon as possible, pointing out that 1982 was already the earliest realistic date for a substantive hearing.

The defendant shareholders also failed to have the applicant's proceedings struck out altogether. However, those proceedings have been stayed pending the commencement of the liquidator's proceedings and it seems likely that they will then be redundant.

The final part of the decision deals with that most basic of legal questions: costs. The defendant shareholders advised the court that they had incurred an average of \$20,000 each in costs to that date and that an award of \$7000 each to the 12 major defendants could be readily justified. The applicant's response was that the legal groundwork would not be wasted because of the similar issues involved in the liquidator's intended proceedings and that it had been indemnified by the consortium for costs up to \$5000.

The defendants were awarded the \$5000 to be divided up between them and given leave to apply for more should the liquidator's proceedings not involve common points with the present litigation.

Mr Justice Barker's decision No 20 also contains a hint of the possible subject of the future decision No 21. The defendant shareholders have given notice that they will be challenging a rule established by old decisions and seeking an order requiring the liquidator to provide security for costs when he commences his proceedings.

FOURTH ESTATE SUBSCRIPTION SERVICE

To subscribe to or purchase any of the newspapers, directories or books published by the Fourth Estate Group simply fill in and post the coupon below. Please make out cheques as indicated. If two different companies are indicated for multiple purchases, please make out cheque to Fourth Estate Group, P O Box 9344, Wellington.

(Please / where appropriate)

- ☐ I/We enclose \$25.00 for one year's subscription to *National Business Review*. ☐ Please bill me/us.
- ☐ Please send me more information about the *National Business Review* VIP Subscription Scheme for companies.
- ☐ I/We enclose \$85.00 for one year's subscription to *The Capital Letter*. ☐ Please bill me/us.
- ☐ I/We enclose \$12.95 per copy post free for copies of *Jobs on Property*.

Name

Address

Occupation

Signature

Thriving spare-parts business clobbered after

by John Mullinder

WARREN Smith has been nobbled.

The Hamilton engine reconditioner claimed earlier this year that large car-part franchise-holders were trying to run him out of business because he could undercut their prices with imported spares.

Now the Government has refused to renew his import licence.

He plans to go to the Ombudsman to contest the decision.

Working from his home garage Smith was importing pistons and bearings from Repco Australia, fitting them to Holden and Falcon engines, and selling the reconditioned motors for \$465. That is \$300 less than the price charged by his competitors.

News spread and Smith said he was deluged with phone calls from all over the country. Some callers offered to buy his complete supply of cheap spares.

Others — fleet operators like Winstones and Alert Taxis — made regular requests for

reconditioned engines.

Even the local General Motors dealer, Ebbett-Waikato, joined in, Smith claimed. (But "they'll deny it like hell", he said).

Business was booming and Smith applied for further licences to import the pistons and bearings necessary to his operation.

Trade and Industry replied that it was "prepared to consider further applications... in this and in subsequent years, providing (Smith) continued to

pass on a real cost benefit to customers".

Smith was. So much so that he decided the public should know the facts of life about spare parts costs.

He alerted the media and was interviewed for the regional television news programme *Top Half*.

That interview never went to air. It was referred to *Eyewitness*, which was already investigating the possibilities of a story on the spare-parts industry.

Then two curious things happened.

Within 48 hours, public relations consultants Eric White and Associates phoned to ask if *Eyewitness* was doing a story on spare parts. If so, could their man, former television interviewer David Exel, appear on behalf of Repco NZ which has a virtual monopoly on the manufacture of pistons in this country.

Within 12 hours Exel himself was on the phone asking what the story was about and offering his services if required.

Next day, *Eyewitness* received a call from John Greene, executive officer of the Engine Reconditioners' Association. He also offered a representative to appear in a story and charged Smith with not being a member of the Reconditioners' Association. Any adverse publicity, he said, would reflect badly on a nationwide advertising campaign currently under way.

(Told of Greene's call, Smith said the engine reconditioners should be more concerned at the reconditioned short blocks being imported into the country — that was more of a threat to the reconditioners' trade than he was).

Intrigued by the calls and offers to appear on television before any programme a spare-parts had been decided on, *Eyewitness* took a close look at the Smith case.

Smith was buying pistons and bearings at trade prices: Repco Auto Parts in Brisbane. For a set of Holden 202 (4-cylinder) pistons he was paying \$A55.19 and produced the invoices to prove it. By the time sales tax, duty, exchange and justments and airfreight had been added, Smith could let the pistons in New Zealand for \$76.

That compared more favourably with the trade price quoted by Auckland firms for the same parts.

Chrysler rescue

THE United States Government's Chrysler Loan Guarantee Board has approved \$250 million in new loan guarantees to the nation's third largest auto producer, but need that Chrysler's economic situation has deteriorated in recent weeks.

Congress has authorised \$1500 million in loan guarantees to rescue Chrysler from bankruptcy.

The firm borrowed \$800 million under the arrangement in June, and the second instalment, approved on July 15, would bring the total down to \$750 million.

The board found that the financing plan for the company was adequate, "despite a \$130 million increase in Chrysler's projected 1980 losses and prospects of weaker performance in 1981 to 1983."

Chrysler estimates that it lost \$1017 million in the first half of 1980. The board projects total losses for the year of \$1225 million.

The staff's earlier projection that the domestic industry would sell 9.8 million cars in 1980 has been reduced to 8.8 million.

Broadbank



For Investment Management

undercutting the big-boy competition

Motorspecs: \$271.02
Andrews and Beaven: \$278.22

The public, of course, was charged more:
Motorspecs: \$354.24
Ace Traders: \$364.14

Andrews and Beaven: \$371.16

Repco (NZ) Ltd is 60 per cent owned by Repco Australia. Clearly Smith was passing on, in Trade and Industry's own words, "a real cost benefit to (his) customers".

But he was under some pressure. A complaint about his operation had been lodged with the department and was being investigated. And Smith was experiencing difficulty with his source of supply.

He was told by his Brisbane contact that an order he had paid for would not be coming through: it had been stopped at the request of Repco New Zealand. He was offered his money back.

At first the general manager of Repco Engineering in Auckland, Graham Lerner, did not want to be interviewed by *Eyewitness*. Smith, he said, was

a "backyarder" and probably didn't have council approval for the garage on his premises.

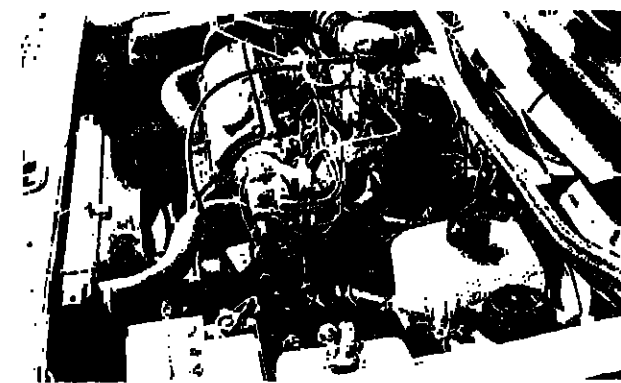
In a later interview Lerner doubted that Smith's operation would have much impact on Repco New Zealand. "We've had the Mr Smiths of this world in similar vein before. It's not the first time and I guess it won't be the last," he said.

He denied he had personally acted to cut off Smith's supply and pointed out that Smith's order had been honoured. (It was, said Smith, only because he had threatened to blow the thing wide open).

Had Lerner's bosses then put pressure on Smith?

"Ah, no... as far as I'm aware there has been no pressure put on Mr Smith at all," Lerner said.

"What we did do, of course, was ask Australia how these parts were coming into New Zealand and why were they coming in. And we naturally asked our Australian export company and they cabled back that they'd sold nothing, never heard of Mr Smith. And so there was some close-down of



Spare-parts... cheap imports refused licence

the whole situation really until I found out where these parts were coming from, which transpired to be Brisbane of course."

The price Smith had paid for his parts was a mistake, Lerner said. And the price they were selling for in New Zealand was really a matter for the wholesalers to answer.

As he understood the situation, the prices Smith had bought at were only available to very large bulk movers of parts and over a limited range of models.

He later quoted the New Zealand trade price for the 202 pistons at \$267.78; from Australia they were \$281.98.

Trade and Industry agreed

with Repco's figures and has declined to renew Smith's import licence application. The Government, the Minister is quoted as saying, does not want to jeopardise the jobs of 500 workers at Repco New Zealand.

What the Minister did not say was that Trade and Industry may have made a mistake in issuing the import licence to Smith in the first place.

Department officials did not check to see if the parts Smith wanted to import were made here before issuing him with an import licence, sources said.

Still, the parts made and sold in Australia by Repco's parent company for less than \$A55 cost \$270-plus in New Zealand.

Adams-Schneider sent Smith a telex advising him that his import licence application had been declined.

"Investigations have shown

that the ex-factory price of the local manufacturer of pistons and bearings compares favourably with those of his Australian counterparts on like quantities," Adams-Schneider said. "I recognise that it is possible to import similar items from Australia at lower prices by purchasing direct from a manufacturer and thus avoiding margins normally charged by middlemen."

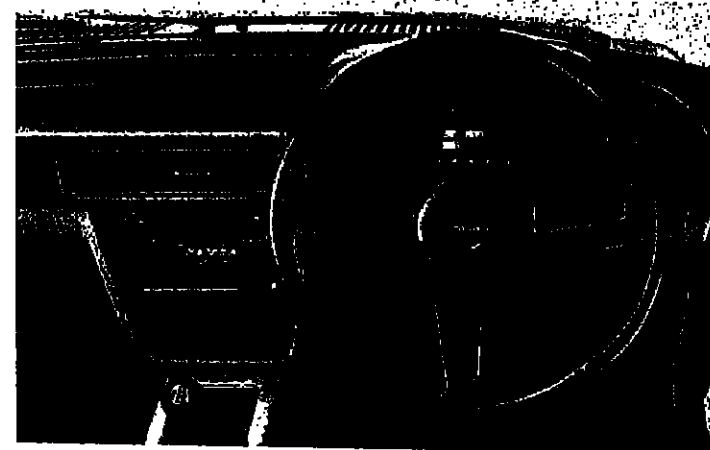
So Smith missed out on his licence, and consumers will have to pay more than four times the price for pistons and bearings because he bought his parts too cheaply.

Not so long ago Adams-Schneider was urging importers to shop around for the cheapest sources of supply, in the New Zealand consumer's interests and to save foreign exchange.

Smith shopped well. And got clobbered for his efforts.

Get a Driver's Car from Avis and give it the ultimate test drive

Next time you plan to rent a car, combine business with pleasure and turn it into a test-drive with a Mazda 626 from Avis Rent-a-Car.



Clean, functional interior with full instrumentation.

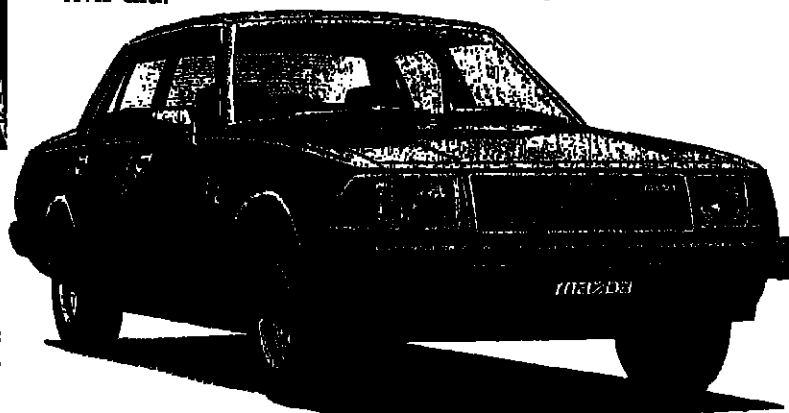
That way you'll find out a few things you might not learn from the usual new car test drive around a city block, because you've got time to really put the car through its paces.

You'll discover, on a trip, how comfortable the seats are. And you'll welcome the clever idea of the fold-down rear seats that enable you to carry awkward objects and a third person, or use the entire rear seat area to increase the boot space. You'll discover the effortless performance of the smooth, quiet 2 litre engine. But what you'll probably enjoy most will be the remarkable fuel economy of up to 36 miles per gallon, recorded in overseas tests.

Take it to the places you usually go. And try it in a few places you don't. It takes a motorway and a couple of back roads before you can really start to appreciate the finer points of Mazda 626 handling and performance.

And what you will have discovered in short, is that the reliability and economy Avis demand of their cars is what you can expect from the Mazda 626. Which is why, after you've driven it, you'll probably choose the Mazda 626 for the same demanding reasons Avis did.

AVIS
We try harder



Mazda 626 (shown above), available in 4-speed and automatic model options.

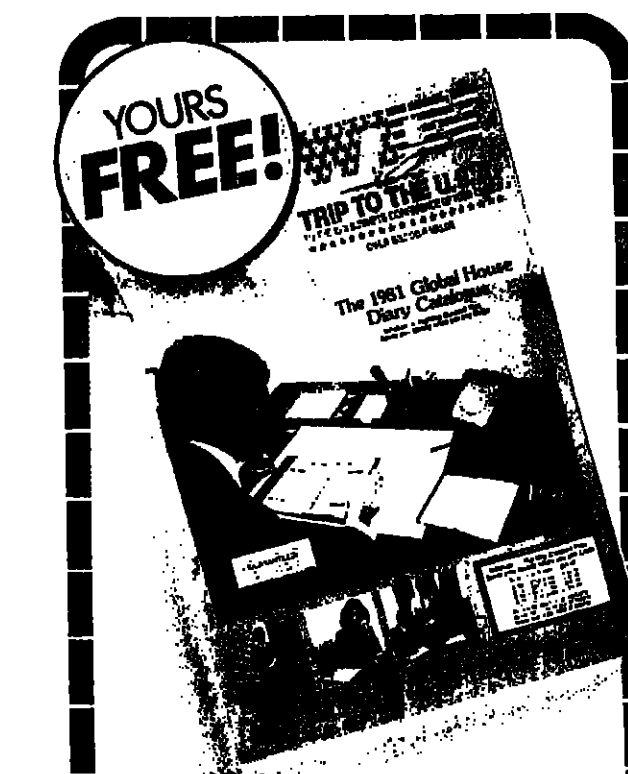
Mazda 626. A Driver's Car



Look for the blue Mazda sign—

54 dealers throughout New Zealand

home of Mazda reliability



Business Catalogue plus Chance to Win \$3000⁰⁰ U.S. Trip.

Advance your career with these invaluable business aids.

The new 1981 Global House Diary Catalogue is the most comprehensive business catalogue in New Zealand. Start with the famous Global House Management Diary. Plus planners, memo pads, portfolios, personal stationery, business card wallet, desk caddy set, and the Global Briefcase.

You won't find comparable value for money anywhere else. Discounts let you save up to 25% on your order.

Send coupon for your free 1980 Global House Catalogue today.



Mail to: Global House Ltd., P.O. Box 1381, 215 Gloucester St., Christchurch 1.

Dear Sirs, Please mail my FREE 1981 Global House Diary Catalogue, plus information on how to win \$3,000.00 U.S. trip. Thank you.

Name _____
Position _____
Firm _____
Address _____

Mail this coupon today



All over New Zealand, companies are making the most of Small Business Computers expertise in efficient business management.

Because we'll design a programme especially for your needs, we can promise the best advice you'll get on the ins and outs of your business.

Computers are hard to argue with — and ours speak plain English. Our personal service and straight talking will show you how to operate at maximum efficiency.

Debtors, creditors, payroll, private ledger, stock control, sales analysis, costing, production control, word processing are some of the areas we operate in. Then there's our specially areas like transport operations and the clothing industry. And there's more.

Exclusive programmes can be designed for any form of business whatever. We'll investigate your special needs and advise you accordingly.

Frank advice and full operating details from our systems can make all the difference to your overall efficiency.

Good business management is the result. No matter what your operation, you'll benefit from contact with Small Business Computers.

Have your own computer installed. SOHO small business computers are the latest in up-to-date electronic technology at a price any company can afford.

Introduce your company to Small Business Computers. Why let total efficiency wait a minute longer?

Call Ed Baggett

Small Business Computers

47, D'Arny Street, New Zealand

Methane conversions generate loss of energy

Special Correspondent

LIKE other engineers, I am concerned at the decision to convert natural gas into gasoline. The low efficiencies of converting natural gas (methane) into methanol and then gasoline cause a serious loss of energy.

As it is piped ashore, natural gas is largely methane.

The various other components, such as carbon dioxide, condensate and liquefied petroleum gases, are removed so that the methane can be further processed for the production of methanol and gasoline or for use directly as a premium fuel for motor vehicles.

The energy losses incurred in purifying the methane will be the same for each usage.

If the gas is used for motor vehicles, it will be compressed to high pressures and — pessimistically — up to 5 per cent of the energy content of the fuel might be so used.

In the conversion of pure methane to methanol, 16 units of mass of methane with a higher calorific value of 55 megajoules per kilogram becomes 32 units of mass of methanol with a higher calorific value of 22 megajoules per kilogram.

The maximum energy content of the methanol output is no more than 81 per cent of the energy of the methane input.

When the energy used in the production process — pumps, fans, compressors and heating — is considered, a further loss will occur. This could be as low as 5 per cent. A paper by G J Hamilton of Lurgi, suggests that these losses are much higher.

The energy of the output may be as low as 63 per cent and as high as 75 per cent of the energy input of the methane.

When methanol is converted to gasoline, there is a further loss of energy.

B V Walker told the Institution of Engineers conference that the efficiency of conversion is 90 per cent. Based on Hamilton's paper, a much lower efficiency, of some 75 per cent could be postulated.

A paper by J E Penick and others at Mobil in 1978 put the chemical energy losses at about 7 per cent. Their description of the process suggests that high energy input would be required, and therefore the mechanical losses could reduce the overall efficiency to 75 per cent.

The net energy output of the gasoline will range from 68 per cent to 47 per cent of the energy of the methane feed stock.

Taking the capital cost of the gasoline plant and dividing the gasoline-burning vehicles by 30 per cent we get an average capital cost of \$1055, to provide gasoline for the average vehicle. (The factor of 30 per cent covers the fact that the gasoline plant covers only 30 per cent of our gasoline needs).

If the methanol to gasoline plant is removed from the calculations, the stand-alone methanol plant would cost \$703 per average vehicle, neglecting the increase in energy available by the deletion of the losses in converting from methanol to gasoline. By taking a pessimistic

A MECHANICAL engineer describes and quantifies the losses from converting natural gas to gasoline, discusses the advantages and disadvantages of the stages of the conversions and discusses the capital requirements. He also suggests alternative energy policy is suggested.

The engineer does not want to be named for fear of angering public servants who deal with his company's tenders for Government projects.

He said the average private motorist would be allocated nine litres of fuel each week. Assuming 50 per cent of the vehicles are private, and assuming the nine litres per week is based on a 25 per cent

would exceed in most cases the capital cost of converting a vehicle to CNG.

It must surely be in the country's interest to minimise the overall capital requirement. These figures show what is

an experimental stage;

- There is a delay of some five years before a payoff accrues to the country;

- The cost of the synthetic gasoline plant will probably escalate by between two and five times before it is commissioned.

Advantages:

- The sole advantage over methanol is that it can be used in today's engines.

Methanol

Disadvantages:

- The loss of the energy is considerable but not as much as gasoline production;

- The modification cost per car will not be great;

- Technology for the use of alcohol is becoming widespread in the United States and Brazil;

- When blended with low-grade petrol, its properties are enhanced.

Natural gas (methane)

Disadvantages:

- Limited reticulation through the North Island;

- Limited range from a fill;

- Relatively high cost of installation for a car.

Advantages:

- Maximum efficiency;

- Early pay-off possible;

- Technology is readily available;

- The capital is spread over many small installations;

- A clean burning fuel at a greatly reduced emission problem.

The Government policy of fuel was decided 10 years ago. Maui was discovered and, one year after the proposal were first suggested in public.

In compressing into a motor what should have been an investigation lasting, say, five years, the Government does seem to have chosen the best option.

A better approach would appear to be:

- A strong Government policy to foster the use of CNG in areas served by natural gas pipelines, probably by a differential pricing policy. The incentive should be aimed at the conversion of fleet vehicles in such areas.

Conversions of high-mileage vehicles could be undertaken in a relatively short time with a modest outlay of capital and would provide a rapid reduction in the overseas fuel bill.

- Strong incentives on the use of LPG in areas not served by CNG installations. The use of Maui gas will produce as a by-product LPG. If the Maui plant proceeds, 15 to 20 per cent of the output will be LPG. Because LPG is readily transportable, and therefore available throughout the country, and there is a limited amount of LPG available, there may be ground for discounts for LPG where CNG is available.

obvious:

- A small proportion of vehicles burn a large proportion of the gasoline;

- The capital cost of the gasoline plant per high mileage vehicle is very high;

- Converting relatively few high mileage vehicles to CNG could reduce dramatically the imported fuel bill.

There appear to be good reasons for terminating the conversion of methane before the gasoline stage.

Synthetic gasoline

Disadvantages:

- There is considerable capital cost involved;

- There is a considerable loss of energy in the conversion with the corollary of a shorter life of the gas field;

- The process is not beyond

- It is not acceptable to all cars without modification. The cost of the modifications would not exceed the difference in capital cost to make gasoline;

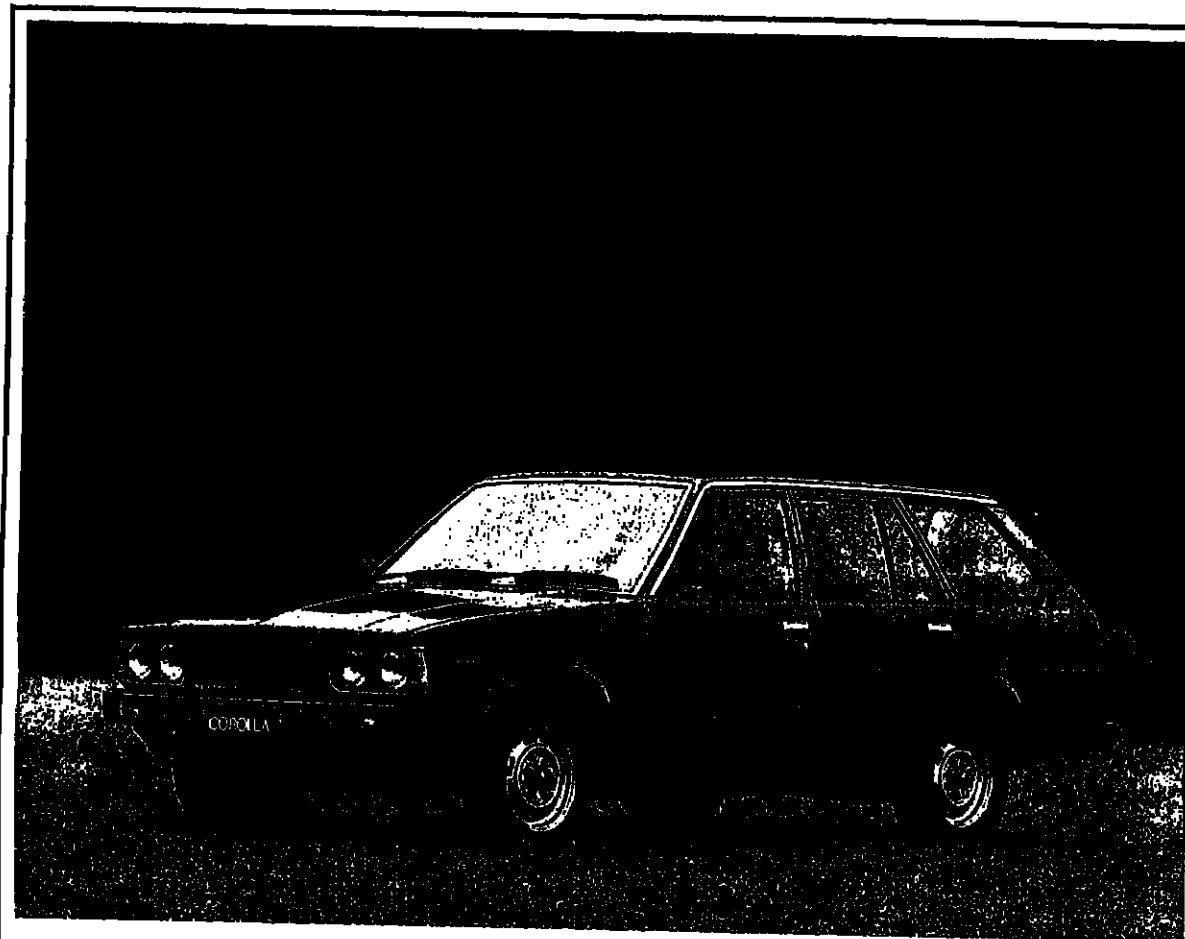
- It is highly toxic when ingested, but it is rated as no more than an irritant under National Fire Protection Association ratings. That puts it on a par with gasoline;

- It has an affinity for water which, according to some authorities, is not a major problem.

Advantages:

- A readily transportable fuel is obtained for use throughout the country;

- The conversion process is in use on large scale plants;



Corolla DX Wagon

You expect your new company car to be perfect. We do too.

Just as a new Toyota makes a statement about your company it makes one about ours.

Cable-Price TOYOTA

Whangarei, Auckland, Rotorua, Taumarunui, Tokoroa, Porirua, Lower Hutt, Wellington, Nelson, Christchurch - L.M.V.D.

CP 138C

The capital costs given for the Mobil gasoline plant are:

Two methanol plants at \$150 million	\$300
Methanol to gasoline plant	\$150
	\$450

We have been told that the Mobil plant will produce gasoline equivalent to 30 per cent of the country's annual consumption.

We can assume there are 1,420,000 vehicles burning gasoline (motor cars, rental vehicles, light goods vehicles and 50 per cent heavy goods vehicles). These figures have been taken from the 1979 New Zealand Year Book.

tic view of those losses, the increase in energy available lowers the equivalent capital cost to \$530 per average vehicle.

The capital cost per vehicle of a gasoline plant compares unfavourably with the cost of converting a car to CNG with allowing for gas compressors and filling station.

These figures are based on an assessment of gasoline vehicles which is probably too high. Lower numbers of gasoline-powered vehicles would increase the difference between the figures.

Another view of the capital cost per vehicle can be taken, by using the consumption figures given by Energy Minister Bill Birch when discussing rationing.

reduction in consumption, then these vehicles use 455 million litres of fuel.

Assuming 90 per cent of the total usage is by cars and so on, non-private vehicles use 1550 million litres total, or an average of 41 litres each week.

Alternative calculations, assuming that 60 per cent of the vehicles are privately used and 95 per cent used by cars, suggest that the remaining vehicles use 52 litres a week.

Another way of looking at the capital cost is to divide the capital required for gasoline by 30 per cent of the annual consumption. This gives a figure of 67c of capital per litre of gasoline produced each year.

If a vehicle consumed more than 1500 litres per year, the capital cost of the gasoline plant

Aviation

Qantas retains status in Tasmania tourist link...

Melbourne correspondent

AUSTRALIA'S two domestic airlines will use Qantas flight numbers on their Hobart-Christchurch service to preserve the appearance of the Government's policy that Qantas is Australia's international air carrier.

Qantas chairman Jim Leslie said the position of Qantas, as

Australia's sole international airline, would not be endangered by the domestic airlines flying to New Zealand. He said: "It must be recognised that it is being run with Qantas flight numbers, but as Qantas has not got the equipment at present suitable for those airports and that flight, it is being given to TAA and Ansett. Of course it can go back to Qantas at any

time when Qantas has the equipment to do that".

The requirement that the airlines use Qantas flight numbers has been criticised by Ansett. A spokesman for the company said it viewed the Australian Government's insistence on this with distaste. He said: "We have always been prepared and enthusiastic to operate this service entirely at

our own commercial risk, whereas under this arrangement we will be operating under a Qantas flight number and obviously bookings from tour agents and individuals throughout the world will be directed to Qantas. It is a very inhibiting factor when you are marketing a service that you are not doing it totally in your own right".

TAA's marketing manager said the Hobart-Christchurch service was a development route which would depend on tourism. In the first year TAA would not expect more than 70-75 passengers per week. With the development of trade between Australia and New Zealand there is also a cargo potential. He stressed that the service would operate strictly at TAA's own commercial risk. The airline would ensure it was not subsidised by any other TAA activity.

It was not particularly con-

cerned at flying under the name of Qantas. It has done so in the past flying to New Guinea and the Solomon Islands.

Transport Minister Hunt said his department would be conducting further discussions with the two domestic airlines before holding talks with the New Zealand aviation authorities.

Hunt said the frequency of flights and fares for the route still have to be determined but he was confident that the New Zealand and Tasmanian tourist authorities would welcome the development.

The Tasmanian Government sees the trans-Tasman air link as a vital factor in slotting Tasmania into international air routes and other areas of Australia.

Tasmanian Tourist Minister Michael Barnard, said direct flights from New Zealand to Tasmania would dispose of the need for New Zealand visitors

to fly to Melbourne or Sydney and then go off at a tangent at added expense.

Barnard said the Tasmanian Government would back the Tasmania-New Zealand air link with a \$A250,000 publicity campaign to promote Tasmania in New Zealand.

TAA and Ansett will operate Boeing 727 aircraft over the 2024 km route between Hobart and Christchurch with a flight time of 2 hours 35 minutes. According to Tourism's Department of Tourism the flight time from Christchurch to Hobart will be 2 hours 55 minutes.

Ansett and TAA say they can offer similar discount fares to the advanced purchased fares already available on Australian domestic routes. Industry sources expect the Hobart to Christchurch fare to cost less than the current \$A192 economy class Sydney-Christchurch fare charged by Qantas.

... but your airline fends off queries

by Warren Berryman

WHEN appealing to the public for custom, Air New Zealand calls itself "your airline". But the image of the people's national airline holds only so long as the public don't ask questions about how the airline is being run or decisions made.

We called a member of the huge public relations staff to ask about the controversial TAA-Ansett-Christchurch-Hobart flights and the effect they might have on the price-fixing/revenue-sharing pool run by Air New Zealand and Qantas.

The PR woman told us that Air New Zealand airline services manager Geoff Matheson had told her to tell NBR: "It is not Air New Zealand policy to discuss its commercial arrangements with another airline with the media".

So Air New Zealand wants our patronage and our \$150 million to buy new planes ... our \$20-plus million to cover its losses ... but no questions, please, on how the money is spent.

Australian journalists have a bit more luck with their national carrier, Qantas. The *Australian Financial Review*

told its readers the other day about a report from Qantas to the Australian Federal Department of Transport which said the TAA-Ansett service would lose \$1 million a year on the Christchurch-Hobart run.

TAA and Ansett's planes would ply the route under Qantas's designator according to the bilateral covering trans-Tasman traffic.

Air New Zealand and Qantas share the revenue on the trans-Tasman route.

But travel people want to know what the effect will be on the Qantas-Air New Zealand pool account if TAA and Ansett make a loss.

Ministry of Transport sources in Wellington say they have yet to be notified of proposed fares from TAA and Ansett, start-up date, and effects on the pool account.

Ansett disputes the \$1 million loss figure, pointing out that Ansett's two owners, Rupert Murdoch and Sir Peter Abeloe do not have a history of making losses.

The Australian Government is making sure TAA and Ansett don't subsidise cheap trans-Tasman flights with money gained from internal traffic.

For the past 18 months Qantas has opposed the idea of

You're an astute, well organised businessman... solve this

The problem:

How would you invite 120,000 35 to 45 year-old men to feel 25 again by trying one of your stock of pure wool winter suits. In 30 seconds and for less than \$200.

Our solution: Radio.

Radio gives you an involved audience, able to see in their minds the pictures we put there in seconds... pictures created by our specialist writers and technicians to sell your product.

And when it comes to Wellington radio, 2ZB delivers the biggest audience where it counts—those willing and able to spend.

If you'd like to hear how we can sell Menswear and how we can help you solve your problems, ring 721-777 NOW.

Your solution:

AMERICAN and European experience has shown that as an achievement award travel is even more appealing than money... more appreciated than gifts. Travel is the incentive that works. It is something that everyone wants, but knows their money will rarely buy. Skillfully managed, travel can be your most cost-effective method of generating the extra goodwill and effort needed to meet your targets. And travel awards can be planned to be self-financing.

Express Travel Awards can plan and operate a total individual scheme for your company. They do it all, from setting the objectives to evaluating the scheme's success.

Send this coupon now to David Doughty, Sales Director, Express Travel Awards. He'll call you within days.

Mail to: David Doughty, Express Travel Awards, P.O. Box 1586, Auckland. Ph 33-776.

Please send me more information on Express Travel Awards. I have indicated my particular interest.

☐ Improving Morale and Goodwill
☐ Beating Absenteeism
☐ Achieving Higher Sales
☐ Winning Extra Productivity
☐ Gaining Retailer Involvement

Your name.....

Company.....

Address.....



New Civic aims to recapture small-car sector



Rear door... bumper-level access provides major plus.

Motoring Writer

THE release of the 1980 Honda Civic range gives the New Zealand Motor Corporation a new sales weapon in the fierce small-car sector.

Corporation officials admit the Civic has taken a bit of a beating in the past year.

Its main competitor — the Mitsubishi Mirage — offers up-to-date styling, some technical innovations in three and five-door combinations.

NZMC sees the introduction of the 1980 Civic five-door as an innovation in the Honda range aimed at a different sector than the smaller three-door version.

The three-door was favoured by women owners, usually as a second car. Recent buying trends indicate that 65 per cent are registered in the name of a woman and 45 per cent are Hondamatic versions.

This automatic ratio is par-

ticularly high; the national average for small cars is 10 per cent.

The three-door is expected to maintain the market share that it has secured while the five-door represents additional sales.

Production is planned at the rate of 320 a month with a mix of 65 per cent five-door and 35 per cent three-door.

Assembly will continue at the Petone Honda plant alongside the popular Accord models. Assembly will also be carried out at the Nelson and Panmure plants.

The station-wagon version was evaluated here but its impact compared with the three and five-door models was considered insufficient to warrant local assembly.

The old Civic was first launched in 1972 and local production began in 1976. The Civic since then has held a significant market share.

NZMC research has found that the Civic's attributes are its hatchback body, economy, four-passenger doors, five-speed gearbox and drivability. These features, along with price tags of \$7925 and \$8475 for the three and five-door models, add up to an attractive package.

The car provided for our road test was a five-door manual version.

The Civic offers no revolutionary features, but consolidates recent developments and improves some old features.

All other hatchbacks — and NZMC predicts it will take 18 per cent of new sales in New Zealand this year — have a high loading lip. They could be described as having opening rear windows. The Civic sports a rear door that opens from bumper level — a major plus.

Five-speed gear boxes — accepted in the 1.6 and 2 litre sector — are offered by the Civic. The gears are easy to engage, considering the front-wheel-drive layout.

The gear ratios allow the use of the first four in round-town driving, little different from the old four-speed Civic.

The big bonus comes on motorway driving when the fifth speed comes into its own. Engine speed is reduced, which translates into smoother, quieter driving (although when the opportunity arises to use all five gears, you have the feeling you are forever changing, a

minor problem which is solved by the Hondamatic).

Four doors for passengers is a great asset in a small car only if the car is designed to carry four adults. The Civic has rear space and comfort (commensurate from two rear passengers was surprisingly favourable).

The seats front and rear are covered in vinyl with matching cloth inserts, giving a modern feel and serviceable finish. And the comfortably front seats are a considerable improvement on older models.

Buyers are attracted to this sector of the market by economy. The older Civic had a reputation of being frugal and generally cheap and reliable. The 1980 Civic, even with its enlarged 1335cc motor, retains all those features.

AA tests have shown that the new Civic is capable of up to 18 miles a gallon, bettered by few other cars. Indeed, the Civic's performance is probably the best you can get from any car available in this market sector and even the 1.3 and 1.6 litre.

Thus you get the best of both worlds — economy and performance. Older Civics were not known for giving a quick ride, but the 1980 model goes to the top of the class for interior quietness.

Drivability means different things to different people. The Civic is easy to drive (as the old model proved). The pedals are readily operated and the car corners easily. It stops quickly, has good all-round visibility and is simple to park.

Its driving features should appeal also to drivers who want to feel the car go round corners, use the power from the strong 1335cc motor and enjoy the five-speed gearbox.

The Civic is versatile. If you drive sedately, it will amble along at whatever speed you choose. If you are into the hill-climb and quarter-mile sprint scene, you will not be disappointed.

Styling is a mix of old Civic, Accord and Prelude, with restrained use of chrome.

The interior is somewhat spartan, but functional. All the usual bits and pieces are there except for a clock and console around the gear change (both useful additions to opposite products and conspicuous by their absence, but minor defects).

The 1980 Civic feels solid, has economy and performance, and all-round drivability.

FINANCIAL TIMES

... quite unlike any other newspaper

The reason? It's an international newspaper with worldwide coverage written specifically for businessmen.

Regular reading of each issue can help keep you abreast of business developments internationally; important developments that affect you and your company together with what is happening in the world of management, finance, labour, raw materials, technology, marketing and advertising.

The Financial Times can help you make business judgements. Let the F.T. be your business partner. Subscribe today.

To: FOURTH ESTATE HOLDINGS LTD., P.O. Box 9344, Wellington.

Please enter my subscription for a period of —
☐ Three months (\$178); ☐ Six months (\$356);
☐ One year (\$712). ☐ Remittance enclosed; ☐ Bill me.

Name _____

Address _____

The booming business of quack "vitamins"

by Belinda Gillespie

SOME funny things are turning up in chemists' and health-food shops. One of the funniest is pangamic acid, a would-be vitamin and a close relative of laetrile, the toxic extract of apricot kernels touted as a cancer cure by Milan Brych and others of his ilk.

Though licensed in New Zealand as an animal remedy since 1971, pangamic acid made its debut on the human market only this year.

The Department of Health has ruled that pangamic acid is not to be called "vitamin B15" or even "B15".

Pangamic acid was given vitamin status when the *New Zealand Woman's Weekly* splashed "B15" — could this be the SUPER vitamin? — across its May 19 cover. Despite a roasting on *Fair Go* on May 14, sales have boomed, according to a more recent *Woman's Weekly* report — in the world of fringe medicine, all news is good news. The more the health establishment throws stones at quacks and their cures, the better it is for business.

Pangamic acid can be sold in New Zealand as a "dietary supplement" but not as a vitamin or a therapeutic drug. Under the food and drug regulations, no therapeutic claims can be made for dietary supplements.

But this restriction has little meaning when both the *Luckland Star* and the *Woman's Weekly* respectively have described pangamic acid as

"Russian-made vitamin tablets — used overseas to treat heart diseases, alcoholism and senility" — and as "effective in the treatment of cardio-vascular diseases, allergies, asthma, arthritis, alcoholism, autism, diabetes..." With such a good press, both companies which are marketing "B15" need say no more.

The label "vitamin" is not taken lightly in the scientific community, though it is much bandied about in health food circles. A vitamin is defined as "an organic substance in food which is essential in small amounts for body processes."

Pangamic acid and laetrile (so-called vitamin B17), received the title of vitamins not because they were proved to be essential substances naturally present in food, but because they were trade-named vitamins by their American discoverers, Ernst Krebs senior and his son of the same name.

According to the American Food and Drug Administration, pangamic acid "is not an identifiable substance — not a vitamin or a provitamin." No accepted scientific evidence has established any nutritional properties of the substance, and no state of deficiency caused by its absence from the diet has been identified.

In 1943, the Krebs applied for a patent for pangamic acid, which they described as "a preparation for relief and immunity to persons afflicted with asthma and allied diseases — affections of the skin, respiratory tract, painful nerve and



Drugs... some critics claim firms for keeping ill health flourishing to maintain themselves in business.

joint affections and even cell proliferation... eczema... arthritis, neuritis..." Victor Herbert, an American doctor leading a campaign against both laetrile and pangamic acid, last year described these as "snake-oil panacea claims" which were unsupported by data.

Supporters of fringe remedies such as laetrile and pangamic acid often claim that their pet products are kept off the market by the big drug companies and the medical establishment working in league to keep ill health flourishing

and themselves in business. Athletic coach Arthur Lydiard, for example, said he believed giant pharmaceutical companies were retarding the development of substances like B15 because of the competition with other drugs used to treat common illnesses.

Such claims overlook the size and scope of the laetrile organisation, which through the McNaughton Foundation (named after Andrew McNaughton, a laetrile factory owner with two criminal convictions) publishes lay booklets promoting both substances as if

they were vitamins.

B15, like laetrile, was supposedly first isolated from apricot kernels. Ernst Krebs and others have long asserted that the two together are an effective treatment for cancer, along with a "metabolic" vegetarian diet and "megadoses" of various vitamins and minerals.

The extent of the illegal trade in laetrile in the United States is unknown. But there is no doubt that there is a flourishing industry using the "metabolic approach" to treat cancer.

According to the *New Zealand Medical Journal*, many New Zealanders are paying more than \$1000 a month for several months of this treatment, and then continue to pay \$500 a month for maintenance therapy.

"B15," according to the American literature, is not an identifiable chemical entity, but a number of different products of variable composition. In fact, it can be said not to exist, since there is no standard of chemical identity for products sold under that label. There is no proof that it has

any therapeutic benefit or is safe for human use, and it may be mutagenic.

Most of the claims for the effectiveness of laetrile and pangamic acid are anecdotal, not scientific. Those who buy them in the belief that they are getting good nutrition or a cure for cancer are seriously misled, according to both the *New Zealand Medical Journal* and the *American Journal of Clinical Nutrition*.

Far from curing cancer, laetrile may actually cause it, according to six lines of evidence cited in the *American Journal*. Likewise, pangamic acid is said almost invariably to contain either of two toxic substances, one a mutagen, and one with the ability to form a potent carcinogen.

Since the laetrile industry lost a major court case to the FDA recently, New Zealand is likely to come under increasing pressure from Krebs and his colleagues in the lucrative business of quack treatments for cancer, according to a New Zealand doctor who has recently returned from the United States.



Travelling around New Zealand is so much easier with your Travelcard.

Your Travelcard can book your hotel, validate your cheques, despatch urgent cargo and pay for travel with Mt. Cook Airlines too.

If you travel a lot, Travelcard can make everything run smoother. Talk to your Management today about your Air New Zealand Travelcard.

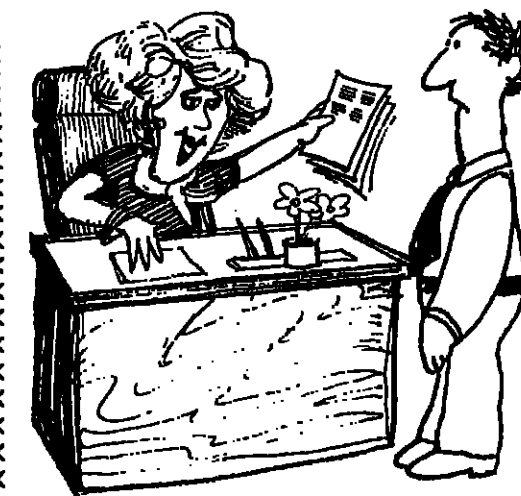
"The more you travel within New Zealand the more you need Travelcard!"



air new zealand
Your Airline



"Watch it, Morrison! — You're not cringing the way you did when you first came here."



"This report on our filing problems is great, Fred. I like the bit about getting Rotascan on rent-to-own. That's really clever thinking, for a man."

Rotascan — the world's most intelligent filing system is now available on rent-to-own terms.

Rates brochure available.
 AUCKLAND: OTC, P.O. Box 75. Tel: 766-119
 WELLINGTON: OTC, P.O. Box 30-649. Tel: 663-784
 CHRISTCHURCH: OTC, P.O. Box 22-293. Tel: 794-938

THE LEGEND LIVES

AND WILL LIVE ON

Holden Ute — the legend that's talked about in all the clubs, pubs and stock yards around the country. In fact, wherever men gather after an honest day's work. They talk about its choice of three engines and gearboxes — the widest range available. They listen to tales of how Holden Ute's combination of Radial Tuned Suspension and Limited Slip Differential has carried men across mud and ruts that would stop lesser vehicles dead in their tracks. They pause to consider Holden Ute's 70.5 litre fuel tank and fuel economy (8.35 l/100 km — 30.2 mpg — National Alternative Fuel Test) which turns five day working weeks into seven. And they still admire HZ Holden Ute's rugged good looks and saloon car comfort for when the work is done and it's time to relax in style. Take a look at what Holden Ute has to offer against its so-called competitors. You'll see the HZ Kingswood is still the lowest priced full sized utility in the country.

COMPARE THE HZ WITH THE COMPETITION

What to Compare	What HZ Has	How We Stand
*Pricing	\$8,750	Lowest priced Full sized Utility
*Manual 175 cubic inch (from)	\$10,050	
*Manual 202 cubic inch (from)	\$10,745	
*Automatic 202 cubic inch (from)	\$11,445	
*Engine/Gearbox combinations	4	Widest range of models
*Limited Slip Differential	12.2 metres	Standard turning circle for full size Utility
*Turning Circle	12.2 metres	Standard Equipment
*Tyres	Radials (opt. 173)	Exclusive to HZ
*Handling/Suspension	RTS	Largest Fuel Tank
*Fuel Tank Capacity	70.5 litres	Largest
*Overall Length	4,847 mm	Widest
*Overall Width	1,682 mm	Most spacious room
*Cargo Length at Bedline	1,915 mm	Widest to buy flat with sheeting
*Load area width between wheel arches		
*Sales Record		
*Reliability		
*Ruggedness		
*Versatility		
*Corrosion Protection		



Go see your GM dealer now — After all, he's not every day that you can buy a legend in his own time.



General Motors New Zealand Limited

HZ HOLDEN KINGSWOOD UTE